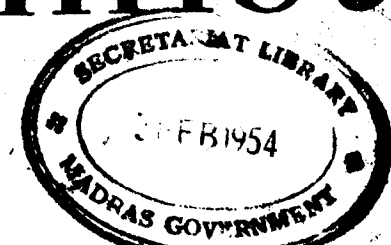


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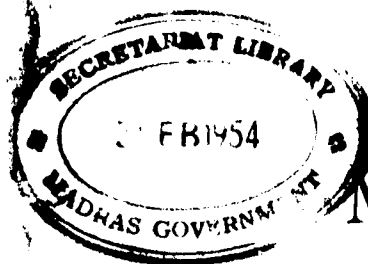
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JANUARY, 9, 1954



Wages Cauldron

Mr Dulles and Mr Nehru

Civilians Defenceless

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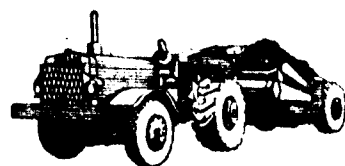
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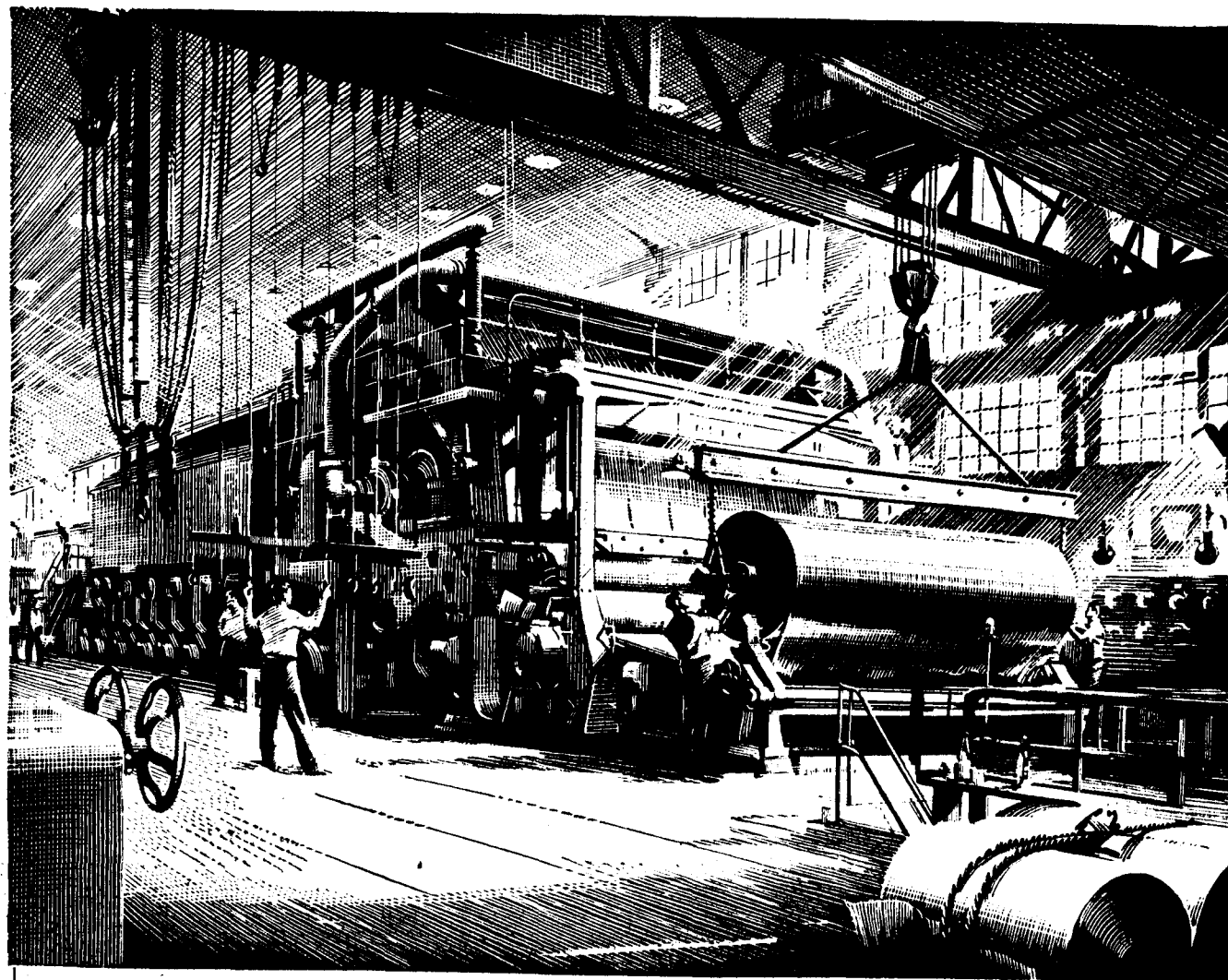
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Wages Cauldron

IT is always difficult to strike a mean in a *mêlée*. That is the dominant conclusion that emerges from the present efforts of both the engineering unions and their employers to pretend that there is such a thing as a homogeneous engineering industry; and to haggle about a uniform settlement for a jumble of plants and trades that start from varying states of present prosperity and that face apparent future prospects with greater variations still. On the one hand, there are a number of unfederated engineering firms, with the opportunity for tying wage bargaining to increases in productivity that plant negotiations sometimes afford, which have been willing to grant wage increases of seven or eight shillings a week; on the other there are the apprehensive manufacturers of textile machinery, and some others, who have come to the unwilling but genuine conviction that it will be better to stand up to a long stoppage than to grant any increase at all. These elephants of federated capital and labour are now obliged to straddle in public between these two extremes; and somebody is obviously going to be hurt.

The nation is going to be hurt too. The field of industrial relations is now filled—or about to be filled—with a score of different skirmishes fought under more than a score of differing strains. Since nobody has yet dared to think out a strategy for wages policy, the outcome of these clashes is likely to depend on the tactics of the different parties involved; and each individual victory, deserved or undeserved, for one side or the other must increasingly tend to be seen as a victory for stability or for inflation. So far, they have all been victories for inflation. It is therefore important to try to make some sense out of the tactical attitudes with which the Government, the independent members of arbitration tribunals (who are now a power in their own right), the employers and the trade unions seem to be entering 1954.

There is little doubt about the Government's attitude. Its labour policy is still fabian: it wants to avoid a pitched battle for as long as it can. Ministers know that the cauldron of industrial unrest is bubbling, but they hope that they can continue to sit on top of it until such a seat grows unbearably hot. At worst, they hope that they will be able to abandon this perch with dignified and advertised reluctance, not to jump off it with a start. There is this much to be said for the Government's policy: it is very unfortunate for them that Labour should have run through its term of office without being compelled by economic circumstances to stand up to the unions, and that the first test should come in the first postwar tenure of office by a Tory government. It is therefore very important to the party that Sir Walter Monckton should be widely regarded as a sympathetic mediator, not as a doctrinaire supporter of the boss; so far he has succeeded in this, perhaps too well.

The independent experts on arbitration tribunals, for their part, have stumbled into a crisis in their affairs almost in a fit of absence of

mind. They have found that such considerations as the level of exports now restrict them to recommendations that the workers consider insulting. Average awards in the last quarter of 1952 were still around 7 or 8 shillings a week, but the December issue of the *Ministry of Labour Gazette* alone lists nine awards of or under 4 shillings a week or 1d. an hour (and in the boot and shoe trades, where wages slide with the cost of living, it actually records some decreases).

The employers are plainly divided. For some employers prices are now a more important handicap in export markets than delivery dates, and an interruption of production would not be unwelcome. For others a stoppage, and the bitterness that would follow it, still seem to be greater evils than the seven-shilling standard for wage increases that the railway settlement appeared to set up. And behind their calculations may lie the belief—never publicised, not always thought of, but perhaps secretly felt—that if they are really priced out of export markets, the Government will not stand idly by; it might come to their rescue by whipping up orders in soft currency markets through sterling releases, or even—in the end—by another devaluation.

The trade unions have the advantage that they decide on their policy after weighing the position of the other three parties in the field. The disturbances of the past few weeks are merely signs that many of them have drawn the obvious conclusion: since any arbitration tribunal that is adjudicating in cold blood is now likely to recommend an increase that the workers would regard as derisory, they feel that arbitrators must be induced to adjudicate in hot blood instead. As far as can be seen, there is no overwhelming insistence on strike action swelling up from the grass roots, as there was, for example, in such periods of major labour unrest as 1911-12 and 1919-21. What is plainly swelling up, however, is acute dissatisfaction among workers in certain trades and grades that others have done better than they, and a most dangerous assumption that wage earners have a right to an annual increase in wages of which tight-fisted employers are now trying to deprive them.

So long as the union leaders are convinced that the opposition is irresolute, and that their own followers may not be, it is quite clear that hints about militancy represent the easiest policy for them to adopt. Many union leaders recognise that the easiest policy is not the proper policy in the national interest; last year's chairman of the Trades Union Congress, Mr Tom O'Brien, who has a natural aristocrat's preference for appearing courageous rather than for being popular, came very near to saying as much this week. But most trade unionists must be expected to follow their own immediate interests instead; it is as senseless to preach at them as it is to preach at those other seekers after self-interest in an age of inflation, Mr Samuel and Mr Clore. The unions may not be quite sure that

long drawn-out strikes would pay; but they still have every reason to believe that the threat of strikes will. And at the moment they can confine their threats to actions that they know their members would take without great sacrifice—strikes over Christmas week (when many workers would prefer to be at home anyway), one-day strikes, bans on overtime and the rest.

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Such, in outline, seem to be the tactics of the participants in this muddle of disputes. An important development in the past week has been that one group of unions has been clever enough to recognise that it is wrangling in the presence of a judge. "To have public opinion on one's side," said Mr Jim Matthews, the leader of the engineering section of the National Union of General and Municipal Workers, this week, "is half the battle"—and, in any long drawn-out dispute, it is likely to be the second half of the battle, the half that counts. Mr Matthews was speaking immediately after he had managed to drive this point home to the other members of the Confederation of Engineering and Shipbuilding Unions. Mainly on his urging, these unions have agreed to a postponement of their proposed ban on overtime from January 18th, and will await the reports of the two courts of inquiry that are now meeting in public at the College of Preceptors in Bloomsbury; this is a sensible tactical decision in a dispute in which public opinion is going to be all-important, and in which the union may gain valuable points by pretending that—compared with the employers who rebuffed Sir Walter Monckton's attempts at mediation last week—they are apostles of reason and light. The employers, after first denying that they were "considering the possibility" of any offer, later undertook to accept the findings of the courts of inquiry—provided the unions did the same.

Among the other major unions involved in a dispute, the Communist-influenced electrical trades union—with its programme for guerrilla strikes next week (in sections that are likely to annoy the public most) and for a one-day strike on January 18th—seems to be more willing to risk public opposition; the employers are trying to get the dispute referred to arbitration. The National Union of Mineworkers has agreed that its claim for an increase for its lower-paid workers should be referred to the industry's traditional conciliation machinery. Other unions are still standing in the wings. The building workers are demanding an increase of 9d. a hour; since an arbitration court has already rejected their earlier claim for a rise of 6d. an hour, they are unlikely to agree to arbitration this time. The Electrical Power Engineers' Association has set up an action committee to take "immediate and drastic steps" to improve the status and salaries of technicians in electricity supply—and so on, down a long list.

Throughout all this two points stand out. The first

is that the long postwar process whereby wages have consistently risen by more than productivity will have to stop sometime; and that when it does stop there will certainly be strikes. It may be said that Britain can afford a little wage inflation provided that its foreign competitors inflate by a little more still—but 1954 does not look like being an inflationary year abroad. It may then be said that if a recession is coming, the unemployment that it brings will freeze further wage demands in their tracks. But if there is a moderate recession—with its attendant and bitter battle for markets abroad—then Britain cannot afford any wage inflation at all on recession's eve. It is always easy to find arguments for postponing the struggle until, say, after the next devaluation but one.

But, secondly, a stand will serve no purpose if it only leads to a surrender. Before any employers'

association made up its mind to carry its resistance to a demand for higher wages to the point of facing a strike, it would have to be quite united and determined in its own ranks, and confident that it had as good a claim on public sympathy as the unions. Whether, when the clash comes, these conditions will be present, no one can say. For, despite the traditional assertions of the Labour press, there is no General Headquarters of the capitalist world where decisions are taken on who shall stand and who shall yield (nor, for that matter, is there on the Labour side). Much will depend on individual tempers in specific cases. The only thing certain is that the clash cannot be much longer delayed, for the pressure among the unions to demand big increases is not far short of an irresistible force, while the facts of economic life are rapidly taking on the shape of an immovable object.

Mr Dulles and Mr Nehru

THE discussions at present proceeding between the United States and Pakistan have been stigmatised by Mr Nehru as a step towards war. Mr Nehru is notoriously sensitive about pacts of any kind, and in this case it certainly seems that he is both exaggerating what is in the wind and misjudging the Indian interest in the matter. There appears to be no question of a formal arrangement between the United States and Pakistan on the lines of the pacts with America's European allies. What is proposed is aid for Pakistan's defence effort, comparable to what the Americans have done for Iran and not to what they have been doing for France or Spain. Mr Mohammed Ali, the Pakistani Prime Minister, has declared that there will be no American bases in Pakistan. It is true that circumstances may alter and that, after a few years, Pakistan might change its mind and ask for something more; but if so, it will be the result of Communist behaviour in neighbouring areas—in the Middle East, for instance, or Tibet or Burma. And then Mr Nehru might be quite glad to have his left flank, the age-old path of the invaders of India, adequately covered.

Behind the expressed reasons for Indian resentment there may lurk less conscious grounds. Some Indians have never fully reconciled themselves to Pakistan's independent existence. Much was made, before the partition, of the Moslem provinces' lack of viability, and there is a certain tendency in the larger country to await the inevitable failure of the Pakistan experiment, and therefore to resent anything that seems to postpone it. A weaker form of the same emotion—and one that can be found on both sides of the border—is to believe that India and Pakistan, even if they are permanently separate, are permanent enemies, and that therefore any help to one must do harm to the other. But the outside world certainly cannot accept any such deplorable

assumption. Once the Kashmir dispute is settled, there are no two countries in the world that have less excuse for hostility than India and Pakistan.

These emotional attitudes deserve mention since, unworthy as they are, they colour the background. But in the foreground Mr Nehru's objection to the proposed agreement between the United States and Pakistan is based on entirely different grounds. It challenges his pet precept of neutrality by threatening to establish on his doorsteps (he has two, the one in Bengal as well as the one to the west) his pet aversion, a block or league. Mr Nehru regards foreign military aid as a derogation from independence; he has said once more a week ago that India will never accept such aid; and he is irritated when other Asian countries do so. He rejects Mr Mohammed Ali's argument that a better armed Pakistan will be so much the better placed to defend the whole of the Indian sub-continent. This is, for Mr Nehru, to argue on false principles: the key to India's security, according to him, is a policy of not taking sides in the cold war.

It is perfectly true that neutralism is one thing for a small country and quite another thing for a big country, and that the motives for it in Asia are different from the motives for it in Europe. But the events of this century show that large neutrals are just as incapable of keeping out of wars as small ones—if for different reasons. The United States, the large neutral *par excellence* in 1914, was no less determined then than India is now to keep out of wars, but the conflict was too important, and the United States was too vitally interested in the result, to do so. The same is true of India in relation to any war or serious disturbance of the balance of power in the Middle East or South East Asia.

A Pakistani-American agreement is not just that and

nothing more. It is part of a new scheme for the defence in depth of the Middle East, where the earlier Anglo-Franco-American scheme for collective defence in association with Turkey, Egypt and other Arab states foundered partly on Arab xenophobia and partly on the Arab-Israeli problem. Such a vital spot in world strategy, the place where the Russian balloon may dangerously bulge, cannot be left unprovided for in western strategic plans. Mr Dulles, having returned from a tour of the Middle East and beyond which took him as far as Karachi and New Delhi, is engaged in trying the obvious alternative to the still-born MEDO—a Pakistani-Iranian-Turkish entente designed, with American aid, to act as a crust to prevent the Russians from breaking through into the soft Arab crumb and the warm Indian waters.

Perhaps the most striking difference between the new plan and the old—and certainly the most striking for Mr Nehru—is the association of an independent South Asian state with Middle Eastern defence. This is a political novelty rather than a strategic one, for from the military point of view it merely serves as a reminder that the British army in India used to be the vital source of strength in Middle Eastern affairs. A second important difference—if the scheme comes off—would be the abandonment of neutrality by Iran; not, it is true, in favour of an alliance with Great Britain, the United States or any other western power, but nevertheless with a member of the British Commonwealth and a member of Nato. This prospect may make Mr Nehru wince but it can do India nothing but good. Those who remember how first Hitler and then Stalin were allowed to pick their ripe pears one by one have for some time been uncomfortably aware that Iran looked like a particularly ripe pear. If Moscow picked it and reached the Persian Gulf, there would soon be Russian submarines in the Indian Ocean. Any strengthening of the ties between Iran and its non-communist neighbours is to be welcomed by all non-communists.

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If the strategic arguments point clearly in Mr Dulles's favour, the political considerations are more intricate. Mr Nehru's indignation may not be soundly based; but there is no doubt about its vehemence or sincerity. Moreover, the Indian reaction may not be confined to verbal protests. There has already been talk of taking aid from Moscow, and the fact that Mr Nehru treats India's Communists with exemplary sternness and is denounced by Soviet and Chinese propaganda as a specially noxious kind of Social-Democrat does not necessarily mean that he cannot make overtures to Moscow and Peking, or that they would not be glad to respond. Mr Nehru has the greatest confidence in his own wisdom and agility, and though he could not enter into any real alliance with Communists without splitting his Congress party from top to bottom, he is fully capable of making some highly embarrassing feints in

that direction—which he (or his successors) might eventually find had gone further than he ever intended. It would not be wise to underrate the harm that could be done by an indignant India.

Nor is it easily possible to exaggerate the embarrassment that any such development would cause to the British Government. Mr Nehru would get plenty of support in this country, not only from his friends on the Left, who like pink-tinged neutralism for its own sake, but also from the other end of the political spectrum, from the Commonwealth school, which reckons the rest of the world well lost if thereby any quarrel within the Commonwealth can be averted. The strength of this feeling in official circles has often been demonstrated in recent years. It has enforced on the British Government a policy of nervous neutralism in the Indian-Pakistani quarrel, and it has led to attitudes being struck at some episodes of the Korean imbroglio that have given the impression of preferring the friendship of India to that of the United States. The acid test for true Commonwealth believers used to be "Will Smuts approve?" for some of them it has now become "Will Nehru be angry?"

But another section of the advisers of Her Majesty's Government, those whose concern is with world strategy, cannot but applaud Mr Dulles's objects. The Middle East has, ever since the Russian menace loomed large, been the obvious and yawning gap in the defences of the free world and quite particularly in those of the British Commonwealth. Those who understand how vital it is, and how weak, have been holding their breath for fear of what might happen. If the gap could be plugged, and the United States committed to keeping it plugged, the sigh of relief would be audible the length of Whitehall.

Here are the makings of a pretty dilemma. The temptation, of course, is to let the Americans take the lead and draw Mr Nehru's fire. In the early stages that, no doubt, is wise; it would be a pity to make an enemy of India and then not get the alliance of the Moslem states of the "crust." But if the game looks like being won, Britain cannot afford to be left out of it. There is no occasion for any jealous feelings about an American entry into this part of the world, but equally little occasion for tolerating any exclusion of Britain from an area in which, until yesterday, it was the only great power. Before long, then, the British Government may have to make a choice. Shall it antagonise Mr Nehru, or abdicate its role in the great strategic area of which the Persian Gulf is the centre? It will not be an easy choice. But those who will have to make it may find one reflection decisive. Both Mr Dulles's attitude and Mr Nehru's are based on sincerely held views of the possibility and the morality of remaining neutral in another world war. Very few people in London want to pick a quarrel with Mr Nehru; but even fewer find his view of how to prevent war more convincing than that on which the whole of British foreign policy is based.

Civilians Defenceless

IF an old-fashioned atom bomb, like the one dropped on Hiroshima, burst over central London during the daytime, the experts believe that it would kill about 40,000 people, injure thousands more, and make as many as 100,000 people homeless. It would leave devastation in an area of some three or four square miles below the explosion and damage over some ten or twenty square miles; and would start hundreds of fires by its heat flash. What organisation would there be to put out the fires, to dig out the trapped, tend the wounded, house the homeless, or feed the hungry? What measures could be taken to restart transport, water supplies and other vital services? According to a report of the Select Committee on Estimates published at the end of last month: almost none.

The master plan for civil defence, approved in 1948-49, was to have cost £260 million in the four years starting in April, 1951. The part that was to run concurrently with the three-year defence programme of £4,700 million was to have cost £225 million. But in the first two of the three years Parliament was asked to vote only £58 million, and of this only £33 million was spent. As the chart shows each of the nine Government departments concerned has spent only a fraction of its estimate.

Although there has been some improvement in the last year, the civil defence plan is simply not being carried out.

What have been the reasons for this failure, and what can be done to rectify it now? The departments' excuses for not carrying out their plans were mainly that these plans had been changed—because of new assessments of the effects of atomic warfare and because the capital investment programme had been cut. But the select committee quite rightly decided that there was more to their failure than that.

There has not been that leadership, direction and guidance from the Official Committee on Civil Defence . . . which those responsible for carrying out the work needed.

It is impossible to avoid the conclusion that busy men at the Home Office and other Ministries have regarded civil defence as a bore—as, indeed, has the general public.

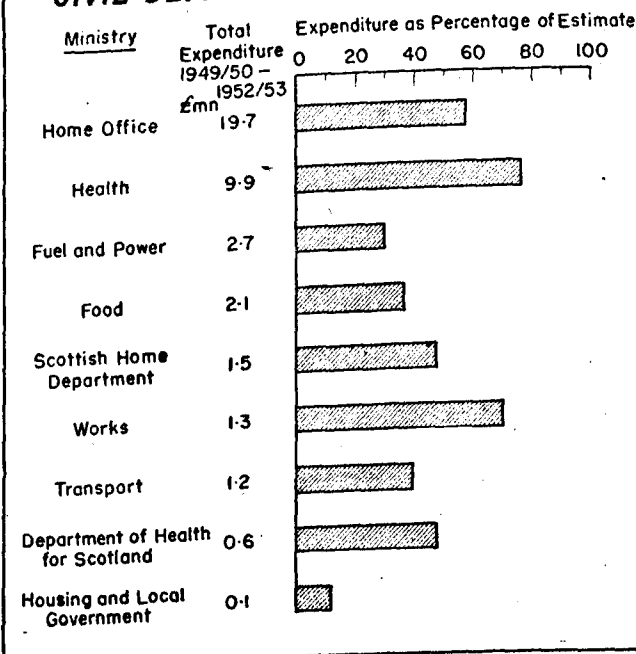
The committee found that nothing has been spent in four years on capital works to keep the railways or the electricity and gas industries going in wartime; and only minute sums have been spent on shipping, water supplies, sewerage and sewage disposal. The electricity and gas industries have taken no measures to build up their strategic stocks, to protect irreplaceable plant or to adapt their distribution systems for possible wartime strains—for no better reason than that, after interminable negotiations, it is still not decided how the various undertakings should be reimbursed. Plans to strengthen the bulkheads of merchant ships have been held up by failure to settle the question of tax exemp-

tion. Years ago it was decided that new blocks of flats ought to be built with strengthened basements—yet the London County Council has been waiting for two years to proceed with the first experimental scheme. A new respirator was designed two years ago, but is still only in pilot production. The first radioactivity meters were not ordered until 1951-52, and there are not yet enough to train the trickle of civil defence recruits. Control rooms have yet to be built. Only one item of equipment has been produced in adequate quantity—and that for reasons that have little to do with civil defence.

When textiles slumped two years ago the Government placed heavy orders for uniforms, so that in 1952-53 alone £4½ million was spent on them, 28 per cent more than the estimate. Uniforms may contribute something to morale and (very important) to recruitment; but by no stretch of imagination are they as essential as operational equipment. In face of a threat of immediate unemployment, all obstacles are swept aside; when all that is at stake is protection against atom bombing, very little is done.

It is useless to indulge in recrimination. There is something that the Government can claim on the other side of the medal: Britain still has a better system of civil defence training than any other country, and recruitment has improved since Sir David Maxwell Fyfe started his present nation-wide series of speeches. The urgent need now is to search for remedies. An organisation that can lead to such failures is clearly due for radical revision—at the top, in its operational spearheads,

CIVIL DEFENCE PLANS UNFULFILLED



Malaya Without Templer

THERE is some danger that the appointment of General Sir Gerald Templer, now the High Commissioner for Malaya, to command the British Army of the Rhine with effect from June may give a false impression of the situation in Malaya. General Templer is to be succeeded by his present Deputy High Commissioner, Sir Donald McGillivray, a civilian, and it might be thought that this reversion to previous practice, with supreme operational control of the armed forces vested in the separate hands of a General Officer Commanding, Malaya, shows that the government thinks the emergency is over. Indeed, even if that is not the view in London, the switch back to a civilian could of itself lull the public into an unjustified complacency.

What are the facts? And is it wise to make a change of this nature at the moment? As for the personalities concerned, there can be little cause for criticism. General Templer was appointed in the first place for two years only, and his term runs out next month; to stay on until June is already an extension. Moreover, it was always understood that on relinquishing his post in Malaya, General Templer would return to the Army; and to be given the most sought-after military appointment—regarded by some as a likely stepping stone to that of Chief of the Imperial General Staff—is a fitting reward for the courage, energy and ability he has shown in Malaya. Sir Donald McGillivray has behind him the benefit of a brilliant career in the colonial service and two years' experience in Malaya itself at the head of the Administration; it is also to his advantage that he will come to his new job at a much earlier age than is usual. Operational command of all the security forces engaged against the terrorists will be given to Lieutenant-General Bourne, at present GOC Eastern Command, who made his name as British Commandant in Berlin at the time of the air lift. An important and valuable change compared with the powers of previous commanders in Malaya, other than General Templer, is that General Bourne will also have full operational control of the police.

There are two types of argument against the removal of General Templer at this stage: on the one hand, it can be said that he himself is now at the height of his usefulness; and on the other, that, if he must be called away to other duties, then someone else should be put in his place with the same powers, the same primarily military background and the same type of general experience as himself.

The supposition in each case is that the emergency still calls for drastic treatment. But whether this is true or not, it seems unlikely that experience gained over the past two years would really outweigh the value of a fresh impact by a new man of the right type. General Templer achieved his own greatest success in the first few months

that he held office. Indeed, the outcome may show that the new vigour, the new ideas and the new sense of hope and confidence that he radiated saved Malaya in 1952. They suited the nature of the problem; it was mainly a question of creating high morale and of making a fresh start. Today, while morale is much better than it was, there is much to be said for making yet another start, but this time more political in emphasis. And if that is to be done, General Templer is handicapped by the fact that everyone knows who he is; that he has become associated with a phase that is virtually over; and that, however serious the emergency may yet become, a new figure is required to rally a volatile public opinion behind the government.

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The argument for replacing General Templer with someone else of the same stamp is less easily refuted. But it rests all the same on facts which are far from proven. It rests on the view that the emergency is still the dominant feature of the Malayan scene and that the recrudescence of Communist incidents during the past two months, particularly in Johore and Negri Sembilan, proves that the shooting war is still only just under control. It is no more possible today than at any other stage in the five and a half years' struggle to say that the menace of the Communist guerrillas has been eliminated. On the other hand, few in Malaya would deny that the tide has turned. It appeared to turn about eighteen months ago, and nothing that has happened lately is enough to reverse this general judgment. The task that will confront General Templer's successor will not be—so far as can be foreseen—at all similar to that which faced him when he arrived in Malaya. That is some measure of the change that the last two years have wrought, not only in Malaya, but in South-East Asia as a whole. In spite of the recent Communist successes in Indo-China, there is no longer a mood of fatalism; the Communist drive goes on, but in many places it has already lost a good deal of impetus and the free world has shown that it can and will fight back.

In Malaya, this fighting back has put the enemy on the defensive. It is true that the Communists have for some time switched over to a policy of delivering their main attacks against certain types of collaborator with the government, of trying to win over, rather than terrorise, the people of Malaya, and of disengaging by withdrawing deeper into the jungle. But can one readily believe that they would have chosen to do any of these three things if their former policies of indiscriminate terrorism had been successful? It is generally accepted in Malaya, and not without reason, that the Communists have been forced to adopt this more limited policy by the pressure of the security forces. Nor have

and everywhere else. At the top it is unnecessarily complex. There is the committee of Ministers (from the nine departments shown in the chart) to decide such major questions of policy as the level of capital expenditure. Below them is the committee of officials, usually the deputy permanent secretaries from the same departments; this approves or disapproves of the plans drawn up by the Joint Planning Staff, which is composed of less senior civil servants from the same departments. Civil defence is thus embedded in thick layers of civil servants.

From these committees sundry papers are shuffled out to all or some of the nine departments, which may subsequently issue circulars to the local authorities. This is confusing for the local officials, and it can lead to some vital function being overlooked. For example, the select committee found that no one had been charged with the duty of collecting above-ground casualties (as distinct from those buried) and taking them to the first-aid stations on the periphery of a devastated area. The decision to bring so many departments into civil defence is inevitable, because their war-time and peacetime functions overlap. But there is a clear need for a central clearing house for all civil defence business, through which instruction to local authorities should be channelled, and which would have the task of keeping the departments up to the mark and the various parts of the programme in step with one another. The Home Office, which has the general duty of co-ordinating and carrying out the programme, could undertake this task; but if so, its civil defence sections will have to become a much more important part of the department. There is a case for forming them into a separate sub-department, like the Ministry of Home Security in the last war, and for appointing a vigorous junior Minister, preferably a serviceman, to look after them.

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The establishment of a clear chain of command from the Home Office downwards will not do much good, however, if it is to be a chain stretching down into a vacuum. Unhappily, it is now obvious that peacetime recruitment of civilians is not going to be sufficient to man the civil defence corps that will be needed to absorb the first atomic attack of any major war. As the select committee suggested, the main reliance may temporarily have to be laid on the military; and particularly on the recruitment of mobile columns—that is, on convoys equipped with rescue and firefighting equipment, first aid, emergency feeding apparatus and everything else that would be needed to deal with a sudden air attack. The intention, long ago, was that in war-time a number of these should be stationed on the outskirts of towns likely to be attacked. At present, however, there is only one small experimental column; it is manned—as a strictly temporary measure, in the absence of full time civilian recruits—by national servicemen, on whom civil defence has no permanent

claim. The committee suggested that there should be thirteen of these columns in peacetime—one in each region—and that they should be composed of national servicemen, who would also form a civil defence reserve after their period of service.

The chiefs of staff do not seem to care for this idea, and it is true that civil defence should largely be manned by women and men who are unfit for active fighting. But the soldiers do not seem to have considered the effect on their own forces of a collapse on the home front. The alternative now seems to be between the absorption of a small part of the peacetime intake of national servicemen and a sudden call on the fighting services, at the outbreak of war, for larger numbers of fighting men to clear up the chaos that would be caused by an air attack. After war had broken out there would probably be no lack of women and older men ready to join the civil defence corps; it would take a very short time to train them and they could progressively relieve the younger men for actual fighting.

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This does not mean, of course, that in the meantime attempts to build up local civil defence forces should be abandoned; and it is a black mark against the select committee that it came near to suggesting that they should. Obviously the mobile columns cannot be everywhere at once, and local people must be able to take action before other help arrives. It is therefore more, not less, urgent than ever that the civil defence corps should continue its recruiting campaigns. Its strength has been steadily increasing; but it is still a very long way from its goal of 600,000 members in peacetime, and many of its nominal members (anomalously left on the rolls) seem to have joined only to get rid of door-to-door canvassers, and never report for training. Better publicity is needed, especially publicity that is fairly rammed into people's eardrums. It is extraordinary that the BBC has not done more, for example, by televising the Home Office films about civil defence and the effects of an atom bomb.

There is at present a very general idea that civil defence against the atom bomb is a farce—like the pikes with which the Home Guard was supposed to resist the German parachutists in 1940. (Undoubtedly, a contributory cause of this fatalism has been that there are no shelters; the resources are being spent instead on houses, which are worth more in terms of votes.) There is a danger that the muddle revealed by the report of the select committee will add to this general fatalism. It can be argued, too, that when Parliament meets the report will merely become a stick to beat the Government. Perhaps an all-party committee to give belated consideration to civil defence measures would help; at present there is reason to fear that essential services and even government cannot be carried on effectively if the bomb comes down and that the civilian population lies virtually defenceless.

they been particularly successful in carrying out their new and lesser aims. They are still apparently compelled to make indiscriminate sallies for arms and ammunition. They still find in many places that only by fear can they force villagers to produce the food they need. And even in the deep jungle they are now no longer out of range of the government's striking power. If, in these circumstances, the number of incidents has lately increased, it may reasonably be argued that this is seasonal, or chance, or a temporary move to sustain a dwindling, rather than to demonstrate a rising, morale among the guerrillas.

That is one side of the picture, and the lesson of it is that the need for a primarily military High Commissioner has passed. The time has come instead to exploit the jungle victory and to switch the main attention of government to the civil side. It is the moment to press forward with a programme which will at once meet the mood of growing restlessness among the political leaders and snatch the bulk of the people of Malaya from their prevailing apathy. The task, in all conscience, is hard enough: to go sufficiently fast on the road to self-government to satisfy the firebrands and yet not to go so fast as to surrender the country to needless confusion; to awaken the democratic instinct

among the masses and yet not to hand any one community over to the tender mercies of another; and, by no means least, to plan economic development on an imaginative scale and yet not to be made bankrupt by the collapse of the prices of rubber and tin. It is a task for which the highest political and administrative qualities are required, in conditions for which, on the whole, a civilian is likely to be more fitted than a soldier.

The other side of the picture, however, must not be forgotten either. And it is here that General Templer's departure, right though it may be, must not be misunderstood. The Communists may be now on the defensive, but their power for harm is far from broken. Their killer squads are still in being, their training is even more thorough than it used to be, and their organisation is probably as efficient as it has ever been. Above all, the hard core of Communist leaders still in the jungle has been toughened by experience into remorseless and implacable enemies. As General Templer has reminded the world on several occasions, the emergency may not end completely for a long time yet. And so long as it remains smouldering, every step taken in Malaya must be considered with that fact in mind. General Bourne, when he arrives, will have his hands full and should be assured of full support from London.

Notes of the Week

Amended Challenge

THE Government enters the new year facing four by-elections—due to two new peerages, an appointment to a statutory board and a retirement through ill-health. All four, however, occur in constituencies with comfortable Conservative majorities. No Conservative MP, whatever his claim, can expect ennoblement in this Parliament unless his seat is safe. Arithmetically the gain or loss of a seat is not of much moment, as the Government found after winning Sunderland South, but a single Conservative defeat in a by-election could drastically alter the temper of the Commons. Labour leaders might like more time to caulk the seams of the party boat before launching a serious parliamentary offensive; but if they won a by-election, the surge of enthusiasm among their supporters would compel them to make a real effort to drive the Government from office.

In one respect Labour is better placed for an early election than for another two years in opposition. This week Transport House has republished "Challenge to Britain," revised to conform with the decisions of the

Margate conference. It now bears the title "A programme of action for the next Labour Government." Amplified by the addition of the statement on foreign and Commonwealth policy approved at Margate, it can become an election manifesto at any moment.

Among the alterations of substance (as distinct from drafting) the new Challenge declares that the next Labour Government "will immediately implement the policy of equal pay for equal work" and will restore the real value of all national insurance benefits to the level ruling at the inception of the scheme; the latter step will be followed by annual reviews designed to keep benefits in line with the cost of living. As some pretence at a policy for meeting these onerous commitments, an earlier threat to "consider" a capital gains tax has hardened to a firm promise of "appropriate forms of direct taxation of capital over and above a certain minimum." The pledge to agriculture now promises that price changes designed to affect the balance of production will be made only at five-yearly intervals, and that the intervening price reviews will be concerned solely with changes in costs. Much detailed thought—as well as many emotions—have gone into this document; but the party still stands sharply divided about the philosophical foundations of its policy.

Equal Pay

BOTH Labour and Conservative parties have long been committed in principle to establishing—subject to economic and financial circumstances—equal pay for equal work in the Government services. Experience has made that commitment mean very little. The Labour party, however, has now given it a new precision and substance. The new edition of "Challenge to Britain," incorporating a decision of the Margate conference, declares that

A Labour Government will immediately implement the policy of equal pay for equal work for men and women and in this way give a lead to industry generally.

This is not a definite promise to provide absolutely equal pay at once, but it must be interpreted as a commitment to begin at once to move quickly towards it.

The Conservatives may well feel bound to promise as much in their next election programme or even to do something earlier, though the women's vote and the feminist vote are by no means the same thing. The merits of the case seem clear; unequal pay for equal work cannot be defended on any ground of equity. The familiar argument in its defence—that men have dependants and women have not—does not apply to unencumbered bachelors and heavily encumbered female breadwinners; logically applied, this argument would call for a complete revolution in the system of wages—a revolution that the traditionalist defenders of inequality would be the first to oppose.

How far the establishment of equal pay for equal work would in fact benefit the general run of women workers is another question. The employment of women in some jobs does carry certain disadvantages to the employer; and a rate of pay that overvalued—or appeared to overvalue—their services might well restrict opportunities that have been opened to women because of their comparative cheapness. Where genuine identity both of job and of performance is established, however, there is no more excuse for regulating its reward according to sex than for making it depend on height, weight, or hair colour.

No government can enforce the principle of equal pay for equal work throughout the economy, but its attainment in the public services would reverse the present institutional bias towards inequality. There may be other anomalies on whose rectification £30 million a year needs even more urgently to be spent; there cannot be many.

Atomic Diplomacy

THERE is no cause for disappointment at the slow pace of the exchanges that have followed Mr Eisenhower's atomic energy proposal of December 8th. On the contrary, this is a crossroads to be approached in low gear. Some of the extremely complex issues involved have already been discussed in *The Economist*. Since the supreme objective is to draw the Russians into at least a limited form of practical co-operation, there is every reason to avoid giving them a feeling that they are being rushed. The procedures

chosen by the President and his representatives have been well suited to this situation. The American ambassador in Moscow visited the Soviet foreign ministry the day before the President's speech, to give notice that it was coming and to ask that it should be carefully considered. Mr Eisenhower himself pointed to private talks under the aegis of the United Nations as being the best means of ironing out the obvious difficulties. Last week, Mr Bohlen again called on Mr Molotov to say that the United States was ready to begin discussions whenever the Russians pleased. Now Moscow has accepted the suggestion of preliminary meetings in Washington.

This use of customary diplomatic methods and of courteous discretion—Mr Bohlen's visit on New Year's Eve was not announced until three days later—is both sensible and creditable. It should assure the Russians that the proposals are sincere, and that they are not merely being manoeuvred into another *nyet* for propagandist purposes. Mr Eisenhower's refusal to beat the drums of psychological warfare deserves all the more praise in view of the obvious value such tactics would have in domestic politics. The shape that formal talks will take is not yet clear; it may not be clear until after Mr Molotov has appeared in Berlin; but what is clear is that everything possible is being done from the American side to give the talks a good send-off.

Challenge from M. Monnet

INFORMED comment in Paris, Luxemburg and London now throws further light on M. Monnet's proposals for closer association between Britain and the European Coal-Steel Community. The proposals do not, of course, call for full British membership of the Community, but they face the Government with far-reaching political questions.

On the technical side Britain, as a beginning, would be expected to enter into a tariff agreement to liberalise the flow of trade in coal, steel and scrap between the two areas. The principle underlying this liberalisation would be to promote greater competition and not to create cartel arrangements between the two parties. In the second place, the commercial relations between the coal and steel industries of Britain and the Community should be regulated by a set of rules governing investment programmes, prices, commercial practices and trade cycle policy. These rules need not be identical with those contained in the Treaty on which the Community itself is based.

Out of these technical questions there arises a third and political negotiating point. The existence of a set of rules suggests the need for a permanent co-ordinating body. While this might well be composed of technicians and industrialists, M. Monnet has all along insisted—and it is the core of his policy—that the function of co-ordination should be vested firmly and constitutionally in the hands of men who speak as responsible political representatives of governments.

The British Government faces a decision of great difficulty. Its economic advisers, both inside and outside Whitehall, will quite rightly want to base policy towards the Community on calculations of gain and loss to this coun-

try's economy. To do that accurately is difficult, and may remain so for some time, even though it can be claimed that the common market has produced encouraging developments such as the expansion in the coal trade of the Community illustrated in a chart on page 85. On the other hand, its political advisers have to weigh the obvious weakness of going to Berlin with the British attitude to this and other plans for an integrated Europe still falling short of what M. Bidault—and presumably Mr Dulles—wants. It is in the power of the British Government during the next six months to make or break the integration policy. It would be wiser—despite the obvious difficulties—to take in principle a favourable political decision about the coal-steel community even though more detailed agreement must depend on economic arguments that are still unresolved.

The Teachers' Turn?

THE usual covey of teachers' conferences at each new year has produced the usual clutches of all-too-justified complaints about the teachers' lot and modern teaching problems; but only the Incorporated Association of Assistant Masters has caused any real feathers to fly. It did so with a quite serious discussion of a threat to strike. While it is extremely improbable that the grammar school masters will ever bring themselves to this dramatic gesture, which would mean handing in letters of resignation for the succeeding term, they have as undeniable a right as—and a rather better case than—most industrial workers to do so; many engineers are much better paid for much less skilled work. Meanwhile the new salary scales for teachers have been carried through the Burnham Committee by majority decision and await ministerial approval. All four secondary school teachers' associations opposed the proposals, but were outvoted on the teachers' side by the National Union of Teachers. On the local authority side the Association of Municipal Corporations, contrary to the advice of its own education committee, also rejected the new scales on the grounds of their cost and of their repercussions on other staff. This makes a complicated pattern of diverging interests.

The grammar school teachers are handicapped by the decision at the time of the 1944 Education Act to merge the primary and secondary school scales, in order to achieve "parity of esteem." Since then every increase for the grammar school teacher has meant a heave right down the line to the infant school. Various palliatives exist in the shape of special allowances for university degrees; these help the new recruit, but they do little for the experienced teacher. The Association of Secondary Schoolmasters is aiming at an assured salary of £1,000-£1,100 (apart from special allowances) at the top of the scale. This is far too high for primary school teachers, but it is not practical politics at the moment to divide grammar school salaries from the rest. The answer must be to devise new means of recognising teaching ability and intellectual quality that do not depend on the "class" of school. It is up to the grammar school teachers to suggest some.

Surplus of Doctors?

ONLY a few years ago, it was generally believed that there were not enough doctors for the health service to be a success. Last week the *British Medical Journal* sounded a warning that too many doctors were being trained, and a committee of the British Medical Association has suggested that a working party should be set up to examine how many doctors are likely to be needed in the future.

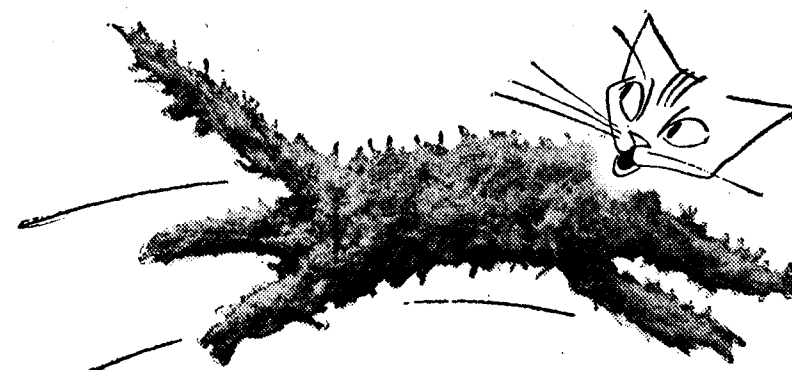
Whether this warning is justified depends—as so often—on how the words "surplus" and "shortage" are defined. There is a shortage of doctors in the colonial service and in the armed forces; but the British Medical Association would naturally resent the suggestion that these shortages, which largely reflect inferior conditions of service, should be relieved by creating a little unemployment at home. The number of consultants is also below the total once envisaged by the Ministry of Health; but the strict control now imposed on hospital budgets—and likely to be imposed for as long as can be foreseen—blocks any sizeable outlet for the services of would-be consultants. There are still some areas officially designated as under-doctored by general practitioners; but for some time there have been complaints from newly qualified doctors that they cannot find a reasonable opening in general practice.

The truth seems to be, not that the chances of young doctors finding employment are becoming slim, but that they are less likely to find the sort of employment that will give them the standard of living they have been led to expect. In the hospital service, moreover, there is the added difficulty that junior doctors who find the path of promotion blocked cannot, like their contemporaries in the Civil Service, be content to remain in their junior posts; the registrarships are regarded as training periods only. Yet the hospitals need registrars for essential work, and those who are forced to leave at the end of their training are immediately replaced. That competition for senior posts should be keener than it was in the first years of the health service is all to the good, as indeed is the competition for vacancies in general practice. But medical students are costly to train, and there is a case for inquiring whether some of the potential professional manpower they represent should be diverted elsewhere.

Impartiality in the Sudan?

THE Sudan has passed with honours its first small test in the exercise of self-government. A second and more delicate one lies ahead for its new prime minister, Ismail el Azhari, whose first undertaking upon his election last Wednesday was that his actions would be governed by "national interests, not party politics."

The first test arose over the new Parliament's election of speakers. The Senate, which contains 32 National Unionist members (that is members of the party that upholds the orthodox Khatmia sect, and that favours some unspecified link with Egypt) as against an opposition of 18, elected a National Unionist speaker who, as a result of long years of



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work as a civil servant, has some experience of impartiality. The smaller National Unionist majority in the lower house put in an ardent member of its party committee. Both appointments required the sanction of the Governor General's five-man commission that consists of two Sudanese, one Egyptian, one Englishman and one Pakistani. Upon receipt of opposition complaints that neither speaker would be impartial, the Governor General had the support of this body not only in sanctioning the Senate's choice, but also in vetoing the more colourful one made by the House of Representatives. It gave the latter verdict by three votes to two: its Egyptian and Sudanese National Unionist members voted together and in the direction that was to be expected; its British, Pakistani, and Sudanese Umma party members upheld the Governor General. The House accepted the verdict and has now made a second choice—an ex-judge with National Unionist sympathies. Parliament consequently sailed ahead on an even keel, elected its first prime minister and gave him, from the opposition benches, moderate and laudable assurance that "our opposition will be constructive" and that "we will support you so long as you aim at the Sudan's independence."

The first big test of Ismail el Azhari's capacity to act along national as opposed to party lines will come when Parliament is asked, as it must be under the Anglo-Egyptian Agreement of 1953 on the Sudan, to approve the appointment of the two Sudanese members of the Governor General's commission. These, who were chosen by Britain and Egypt in agreement, do not both belong to his party, which is bound to press him to help change its adversary. His majority is not so large that he can afford to do this and retain opposition support; yet the temptation to please his party and the Egyptians will be very great. An acid test of his statesmanship will be his assessment of the value of maintaining a Governor General's commission of a shape that promises impartiality. As now constituted, it is a body that an astute prime minister could use as a brake upon the extremist wing of his followers and, if need be, too-pressing Egyptians also.

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Apartheid in the Universities

THE policy of *apartheid* in South Africa is now to be enforced in the field of education. In an address to students of Stellenbosch University, of which he is Chancellor, Dr Malan gave notice that the government will end "as speedily as possible" the mixing of races in certain universities. The action becomes necessary, according to him, because "this glaring anomaly in our education system . . . cannot continue without having the most harmful results."

Until recently generations of South Africans had accepted the view that separate educational facilities were necessary and proper in the primary and secondary grades, but that some mixing of the races at the universities was tolerable. Practice differs between the universities; in Natal numbers are sufficient to justify parallel but separate classes for white and black; in Cape Town and the Witwatersrand African, Asian Coloured and European sit down side by side in apparent innocence of the schisms in the outside world. Social contacts are, however, largely by mutual consent, kept at a minimum. Now the non-European students will be expelled from the "white" universities and put into equal but separate institutions. The Minister of Education promises that he will ensure adequate alternative facilities; but race relations are bound to suffer by this new isolation of contacts between the races. Moreover, the cost of providing and staffing rival institutions will be prohibitive, for the present proposal will throw a heavier burden on the predominantly white taxpayers.

This unnecessary act was prompted, presumably, by a tendency among students to act contrary to the government's *apartheid* policy. For example, Nationalist opinion was scandalised when the 4,000 students at Cape Town University, only 6 per cent of whom are non-Europeans, elected two Africans to the students' representative council. As there is a high proportion of Nationalist-minded students among the whites, it is little wonder that the government felt the time had come for action. Dr Malan's party is determined to give education special attention in its *apartheid* plans. Another deplorable step in this direction was taken this week when control of Bantu education was taken away from the Provinces and centralised under the Native Affairs Department.

Eggs and the Taxpayer

BRITISH hens understandably mistook the December mildness for spring and have been hard at work. They are also laying particularly well because since feeding-stuffs became so cheap they have been particularly well fed. As a result, the retail price of eggs has dropped to the unseasonable average of 3½d. each; and Danish eggs, of which imports are now restricted, have been sold at 2½d.

Although the British people are getting eggs more cheaply in their role as consumers, they are paying more heavily for them in their role as taxpayers. The support price paid to farmers is now 4s. 7½d. a dozen for ungraded eggs; and as the Government must make up the difference between this and the market price, it has recently been

losing as much as 2d. on every egg (about £700,000 a week on present output).

It is one of the weaknesses of the interim marketing scheme now in operation that it imposes no control on distributors' margins, and these can now be widened at the taxpayer's expense (especially as direct sales from farmer to retailer are forbidden). Other weaknesses of the scheme derive from miscalculations. The support prices were generous enough at any time, but they did not allow for the fall in feedingstuff prices that has put still more profit in producers' pockets. And, of course, it was not foreseen that the support price would come into operation during the winter months. It now looks as if this year's cost of keeping up the prices paid to the producer of eggs may be greater than last year's cost of keeping down the prices paid by the consumer; and that was £25½ million.

From now on, cheap eggs should cost the taxpayer progressively less as the support price (which is seasonally adjusted) falls; and before April 1st, when private traders will be allowed to import eggs from the Continent, the Government will have had a chance to cut the support prices at the February price review. It should also seize the earliest opportunity to amend the present marketing scheme.

Capital from the Landowner

It is not generally realised that the private landlord is still of prime importance to the efficiency of British agriculture. Over 60 per cent of holdings are still farmed on the landlord-tenant system, under which the landlord normally provides the fixed capital and the tenant the working capital. Modern production methods require a very high investment per acre of both types of capital; but since even the efficient tenant, whose own resources are often strained to the full, cannot farm successfully without an ample provision of fixed equipment, the landlord has the larger responsibility and the greater initiative. But can he afford to exercise them?

In an interesting recent paper read to the Farmers' Club, Dr E. H. Fleming Smith argues that he can, if he chooses to do so. Dr Smith points out that British agriculture used to enjoy a fairly ample supply of cheap capital from landlords who took their return in social or even political advantage. This source has mainly (although not wholly) dried up. It has been replaced by a system of taxation reliefs and public grants which, carefully manipulated, enable the landlord to charge the taxpayer with most of his new investment. For instance the expenditure of £1,750 on a new farm cottage attracts a grant of £15 a year for 40 years (£600 in all), together with taxation relief which—at the present standard rate—amounts to £788 spread over the years. One handicap of this generous system of assistance is that the less a landlord has, the less he will receive. The surtax payer invests extravagantly, but some poorer landlords must keep their tenants starved of capital.

It is, or should be, an essential condition of this public assistance to agriculture that it is well used. For instance the fact that agricultural holdings are favourably treated for death duty purposes has attracted a certain amount of temporary and fluctuating capital to the land;

as Dr Smith suggested, it would be better to restrict these reliefs to capital that has been employed in agriculture for a reasonable time. It is even more important that rents should be fixed by reference not to the owner's tax schedule or to traditional practice, but to the farm's potentialities. Failure to do this may deprive the community of the extra food production that it has done so much, by subsidies and concessions, to make possible. The golden rule, in Dr Smith's words, is that rents should be such "that the good farmer can do well, the average farmer obtain a reasonable living, whilst the inefficient farmer heads steadily for bankruptcy."

South America has a North

ANY increase in British attention to the Latin American markets where so much ground has already been lost must be commended. The tour now being carried out by the Minister of State at the Board of Trade, Mr Heathcote-Amory, is therefore a welcome sign of new activity, and all the more so since it appears that the Minister is speaking to his hosts in the kind of clear, courteous but firm

What to do About Strikes

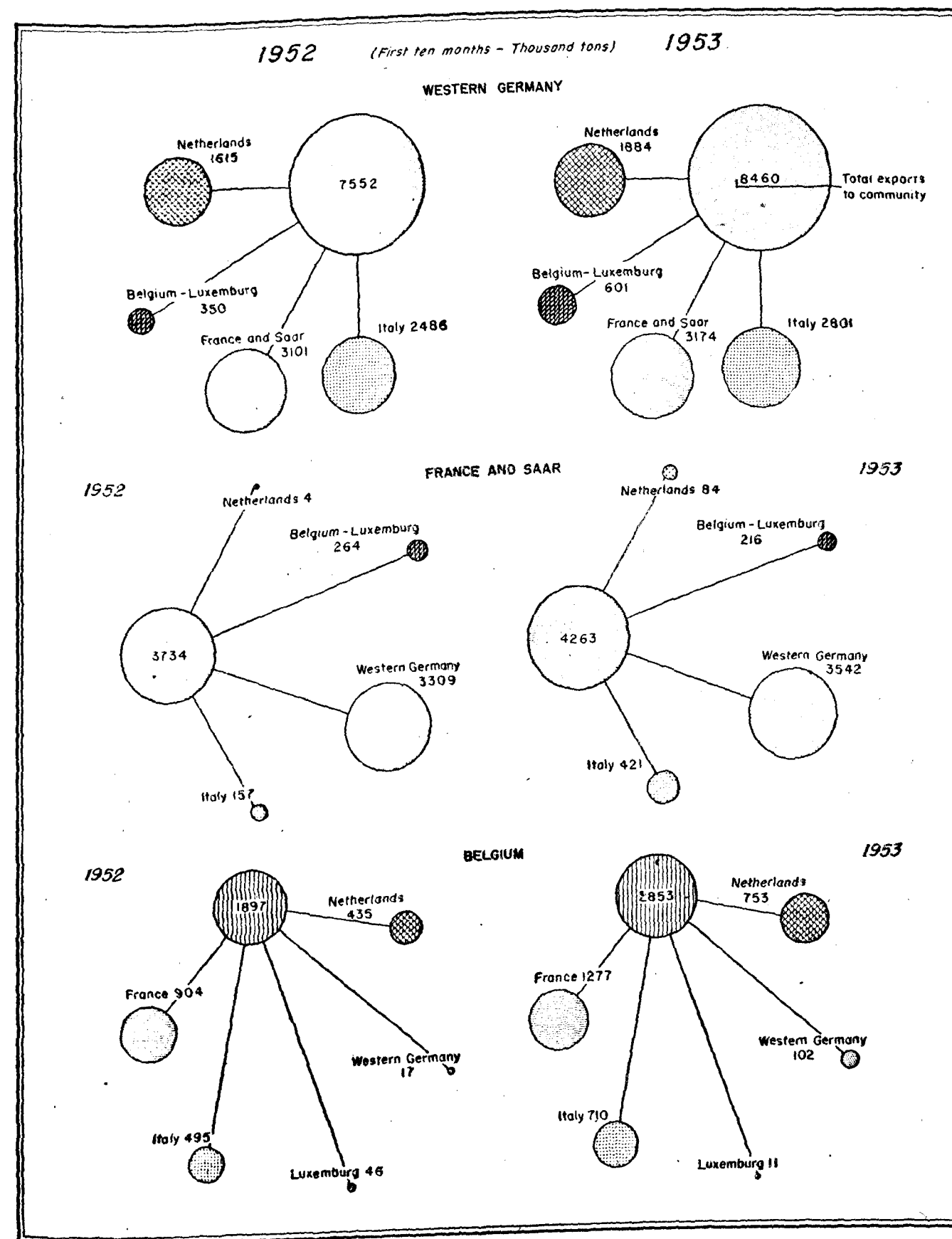
Both law and nature warrant the inference that some remedy is available for that dissension in the North which begins to be an alarming national evil. By universal consent all hope of finding a remedy by the law is discarded. Neither masters nor men appeal to it. . . . There seems to remain, therefore, only the authority of well-weighed public opinion which can interpose with any chance of success, and the Press, as its representative, seems called on to arbitrate between the conflicting parties and, if possible, restore the harmony which is equally desirable for the interests of individuals and for the public welfare. . . . We do not see . . . why some of the masters, men of known good sense and moderation—and many such exist—and some of the men, equally men of known good sense and moderation, might not talk over the matter together, excluding delegates on the one hand and obnoxious masters on the other; . . . and taking into their councils some men of known and distinguished ability, who are neither masters nor workmen, come to some conclusion concerning the best course to be pursued for all, and recommending that to the general adoption. As long as workmen discuss the matter only with workmen, and masters only with masters, each confined to his own sphere of ideas and his own associates, there can be no chance of coming to an agreement. . . . Government might depute someone to attend such a conference to give advice, and to gather for the Government information of what it could do now to promote peace and prevent quarrels in future. It might learn, perhaps, how it could, by removing all remaining restrictions on industry, and so increasing wealth and the demand for labour, by altering laws of partnership, and by other means, promote that change, now in progress, which will end in the bargains of all classes being made on the same principles of higgling and free competition, when the master spinner shall no more quarrel with the working spinner than he quarrels with his cotton merchant or his German customers.

The Economist

January 7, 1954

Coal Trade in the Coal-Steel Community

The chart shows how the exchange of coal between the six member countries of the Coal-Steel Community has increased by nearly 20 per cent. since they abolished all tariffs and quota restrictions on its movement within the Community.



language that gets results. But it is regrettable that he found it necessary to curtail an already brief programme; and it is doubly regrettable that, while Brazil and the River Plate countries are receiving the second ministerial emissary sent by the present Government, it has not yet been able to pay a similar compliment to the smaller republics further north.

It may be thought by the Minister's advisers that the fourteen northern republics (notably Colombia, Cuba, Mexico and Venezuela) with their dollar-hard currencies and relative lack of payments problems, are a straightforward commercial target where businessmen do not need political support. It is true that the Crosland mission, a year ago, showed what good work a party of visiting businessmen could do in this area. But Britain's competitors on the Continent have not hesitated to send ministerial—and even royal—spokesmen to the Caribbean and Central American republics; and they appear to have profited accordingly. This is not only an often forgotten second dollar area; it is a region of over forty million people which is growing, in terms of population, wealth, and economic activity, at an astonishing speed. It is also a region where the personal touch means a great deal; and a commercial nation neglects it at its peril. The Board of Trade should know this.

Good News from the Danube

LAST week Mr Djuric, the new Yugoslav secretary of the Danube Commission, announced that the Danube was now open as an international waterway to shipping of all countries. This is the happy outcome of Moscow's decision to abandon its vendetta with Yugoslavia in the Danube Commission. Ever since 1948 the Yugoslavs on the six-nation commission have found themselves obstructed and overridden at every turn; power was concentrated in the hands of the secretary, who was always a Russian and who could always count on a "Cominform majority." Only last July, when in many other directions the Russians were making conciliatory gestures, new rules of procedure designed to strengthen the Soviet Union's dominant position were adopted by the commission against strong Yugoslav opposition.

But at the next meeting, in the middle of last month, all was suddenly sweetness and light. It was unanimously decided that the post of secretary should rotate annually among all the members of the commission, and that he should no longer enjoy such far-reaching authority. A Yugoslav was made secretary, while Hungary and Bulgaria, which have also received something of a raw deal in the distribution of the chief offices, got the presidency and the vice-presidency. The commission also adopted a long-standing Yugoslav suggestion that the headquarters of the commission should be transferred from the Rumanian port of Galatz to the much more central Budapest.

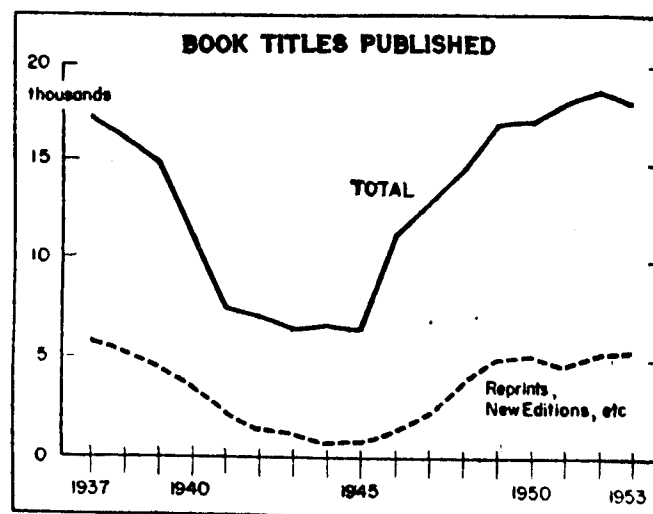
These developments are unlikely, of course, to make any immediate and striking difference to the amount of traffic on the Danube. But they form an essential preliminary to the restoration of the river as an international waterway. If the commission is really going to stick to its own business and leave ideological differences on one side, it is possible to envisage Germans and Austrians sitting on it. Nor is it likely that the restored amity on the Danube commission

foreshadows, any more than recent frontier agreements and exchanges of ambassadors, any striking change in Yugoslav-Cominform relations. It is possible that the next step in the gradual lowering of tension between Yugoslavia and its neighbours will be overtures for a resumption of trade relations; but if so, the overtures will have to come from the Cominform side.

Fewer New Books

FOR the first time since the war fewer new books were published in 1953 than in the preceding year. According to the *Bookseller*, there were 18,257 new titles last year, compared with 18,741 in 1952 and with 17,137 in 1937, the peak of the prewar publishing boom. New editions and reprints, by contrast, increased from 5,428 to 5,523 last year; in 1937 there were 5,810.

There is no evidence, however, that last year's slight faltering in new titles was due to competition from television; for there were again increases in the types of books that the viewing classes are most likely to read. Fiction, despite publishers' grumbles that sales are in the doldrums, slowly continued to draw closer to its prewar peak of over 5,000 new titles a year; and new children's



books rose to just under 1,600, almost exactly the same as in 1937. Educational books, on the other hand, which had already increased above the prewar peak, dropped again towards it, and religious books also fell. Compared with output before the war, travel and adventure books are still sharply down, but technical books and books on industry and commerce have soared.

It is probable that last year's figures reflect nothing more than the publishers' cautious reaction to buyers' markets. The cautious publisher may bring out fewer new educational books, on the assumption that this will lead to increased sales of old ones. This logic, however, cannot be applied to fiction. It is impossible to predict which new works will be financially successful; and the only hope of finding a winner lies in increasing, not in decreasing, the number of new titles. In poetry and drama, the laws of logic and economics fortunately seem to play no part at all; it is pleasant to record that no less than 578 new volumes were produced in the course of last year.

Letters to the Editor

Dividends and Taxes

SIR—The letter from Mr Roy Jenkins, MP, in your issue of December 26th, makes one despair that Labour politicians will ever deal fairly with private enterprise. Officially the Labour party policy is that the bulk of the business in this country should continue to be conducted by private enterprise (if that was not their policy they know that they would have practically no chance of getting into office again) but they seem determined to do their utmost to destroy it.

Investors in ordinary shares are not an isolated group, they are the same group that invest in gilt edged and fixed interest securities. If ordinary shareholders, who have to bear the losses in bad times, are not going to be allowed to benefit from good times, and if they are not going to be allowed profits from good companies to set off against losses in bad companies, the eventual outcome will be that they will cease to invest in ordinary shares. Industrial companies will then have to finance themselves by issues of fixed interest securities (mainly in debentures) and by borrowing from the banks. This in the end would bring bankruptcy, as in bad years they will not be able to pay their debt interest and not only that, but even in good times, as their proportion of risk capital declined, directors quite rightly would cease to take risks. If that happened the capitalists would not be the only sufferers.

The proper way to carry out a semi-equalitarian policy is by taxing the individual, as has already been done, and not by vindictive legislation against ordinary shareholders. Since 1935 *The Financial Times* ordinary share index has risen by 30 per cent and this during a period of severe inflation. Can this be considered an adequate reserve with which to face a slump? In 1929-32 shares dropped 60 per cent in value. In fact, of course, in terms of real money, ordinary shareholders have lost heavily both in capital and income since 1935.—Yours faithfully, C. L. OVERTON

Wirral, Cheshire

SIR—Mr Gifford's letter advances the argument somewhat. My main object was to propound the view that there has been a significant change in the dividend policy of the average company. This is not apparently accepted by the spokesmen of the Treasury. They seek to explain it all away by reference to the amount of capital employed. But Mr Gifford does not agree with them. He does not dispute the charge. Instead he seeks to justify it.

This he does in two ways. First he argues that shareholders do worst in a slump. They should therefore be

allowed to do well in a boom. The statistical basis of the premise is doubtful. In the most famous of downswings—in America between 1929 and 1932—wages fell by 60 per cent and dividends by 57 per cent. But, more importantly, there is now widespread confidence that those days are over and that remedial government action will avoid any such collapse in the future. So far as many of the best-established companies are concerned much of the risk has been removed from the equity. Dividend reductions are extremely unlikely for many years to come. If a ceiling is suggested, a floor is already in position.

Mr Gifford's second point is that now, even if the "takeover" bid were unheard of, directors would be forced to generous distribution policies by the form of the dividend limitation measure proposed by the Labour Government. This was a short-term scheme for the specific emergency of rearmament. As such it was perhaps as arbitrary as, although much less harmful than, Mr Butler's excess profits levy. It was certainly unsuitable, in my view, for long-term use. But to imagine that directors can insulate themselves against similar difficulties in the future by now distributing as much as possible is surely foolish. The Labour Party can hardly be expected to stand aside, making no protest and planning no counter-measure, while part of its redistributive work is undone. If the business world does not like the compromise of high company earnings (even after tax) and proportionately low distributions it can no doubt make an end of the latter. But it must not then be surprised if the next Labour Government is less tolerant of the former.—Yours faithfully, ROY JENKINS

House of Commons, S.W.1

Atlantic Assembly

SIR—Your modest proposal, in your issue of December 26th, for an Atlantic Assembly is to be welcomed.

One doubt remains. This country has not allowed itself to become too much involved in the affairs of Europe and the reason given (some would say the excuse) is its position as head of the Commonwealth. This is a valid reason; but would it not equally apply to an Atlantic Assembly, which includes the Nato countries, but excludes such members of the Commonwealth as India, Australia, New Zealand and South Africa? It is now an axiom of British foreign policy that this country is the centre of three concentric circles—Europe, the Commonwealth, and the United States, having a special relation-

ship with each. Does not an Atlantic Assembly based exclusively on Nato, with Canada the sole Commonwealth representative, invite the criticism that we are sharpening the outline of two of the circles at the expense of the third? The inclusion of observers from the other Commonwealth countries might meet this objection.

The two great merits of your proposal should be emphasised. First, the Atlantic Community is something of a misnomer with its many misunderstandings and misrepresentations. In 1951, fourteen American Congressmen met a delegation of the Consultative Assembly of the Council of Europe; some plain speaking followed. An Atlantic Assembly would ensure regular meetings between parliamentarians of the old and new worlds, and might help to clear away misunderstandings, especially on economic problems. The second advantage would be the publicity that would be given, especially in this country, to a meeting of parliamentarians. Conferences on Nato held recently at Oxford, the Hague and Copenhagen have caused hardly a ripple of comment in the British press. The International Press Institute in its report called "The Flow of News" emphasises the importance of foreign news on the grounds that relations between governments are more than ever strongly influenced by the people's view of their own interest; this view is largely shaped by their information. The report states that 82 per cent of British newspaper readers were unable to answer correctly the question "What is Nato?"

That much of Nato's work is at present secret we must accept. But a clearing of the air on many economic matters, so closely connected to military decisions, could do nothing but good.—Yours faithfully,

B. D. BARTON

London, W.1

Minor Setback in Sales

SIR—Your correspondent Mr Bernard Berg suggests that the Board of Trade retail trade figures for October, 1953, unduly favoured that month because it contained five Saturdays as against only four in October, 1952.

In fact, however, these comparisons are based on standard numbers of weeks representing each month. For October, the 1953 figures used were those of the four weeks ending on the Saturdays dated October 10th, 17th, 24th and 31st, while the 1952 figures used for comparison were those of the four weeks ending on the Saturdays dated October 4th, 11th, 18th and 25th.

Furthermore, the published percentage changes in money sales are based on average weekly sales for each of the two months being compared, so that an appropriate adjustment is made where, for example, a contributing retailer's figures cover five weeks for one month and only four for the other.—Yours faithfully,

DONALD BARBER

Retail Distributors' Association, W.1

Books & Publications

Understanding the Union

SOUTH AFRICA IN A CHANGING WORLD.

By Edgar H. Brookes.

Oxford University Press. 151 pages. 12s. 6d.

THE SOUTH AFRICAN WAY OF LIFE.

Edited by G. H. Calpin.

Heinemann. 200 pages. 12s. 6d.

AFRICAN ASSIGNMENT.

By Major-General Francis de Guingand.

Hodder and Stoughton. 291 pages. 21s.

WHEN the Union parliament last October temporarily shelved the coloured voters issue, a section of the British press was deprived of its daily recreation of beating everything South African with the big stick of *apartheid*. In this, the close, season it would not be a bad thing if these self-styled experts brushed up their secondhand knowledge with a few of the elementary facts. These three books, each in its own way, contribute towards a better understanding of South Africa and South Africans.

By far the best of the trio is Dr Edgar Brookes's significant little book "South Africa in a Changing World." Indeed, it would not be an exaggeration to say that it is the most thoughtful and enlightening study of the Union's problems for at least a decade. Moreover, since the book is written by an ardent and undoubted liberal, who for many years championed the Africans as their representative in the Senate, even a Fenner Brockway need not feel ashamed in its company.

It is easy to predict that it will have a wide impact in South Africa, since the author's reputation as a scholar, politician and expert on native affairs is such that even the Nationalists listen to him with respect. But some of Dr Brookes's most telling arguments are directed at the overseas critics of South Africa. How many people abroad understand the true character of the Afrikaner? How often do they allow for his history, his pride, his traditional resentment of outside interference, his devout Nonconformism, and above all his deep love of his own country? Too often the British press, whether out of ignorance or malice, depicts the Afrikaner as a crude, insincere, and heartless person; but as Dr Brookes shows, there is a warm and endearing side to his character.

On the other hand, Dr Brookes is the truest negrophile. Not only can he appreciate their virtues, he is also painfully aware of their faults; yet he loves the Africans all the same. He is scornful of the "sentimentalist" and the "poser" who refuses to face unpleasant facts, who "intoxicated with his own benevolence

and condescension, a prisoner to his own vanity . . . becomes a man without a following." One wonders which of the many examples of "lesser men who adopt, unasked, the role of professional friend" Dr Brookes has in mind. But if the arch-liberal feels that he has been cheated, that after all this book is only thinly disguised South African reactionaryism, then he should read the last chapter first. Surely no more sincere and moving love for the African people has elsewhere been expressed.

The collection of essays written by a heterogeneous group of South African authors is one of a series prepared under the auspices of the International Studies Conference. If the reader is expecting a cross section of life in South Africa he is doomed to be disappointed; and, regrettably, this series cannot even claim to portray completely that indefinable thing the South African way of life. For where in this collection of somewhat erudite essays is the true warmth and vitality of the South African character? Overseas readers will find most interest in the essays by Dr S. J. du Toit on the Afrikaans-speaking section and by Mr Selby Ngcobo on the Bantu peoples. The former exemplifies the Afrikaner's inescapable fascination with the past. To Dr du Toit, and indeed to all Afrikaners, the Great Trek and the Anglo-Boer war are not mere chapters in a history-book, they are turning points in the life-span of the Afrikaner nation. Foreigners should never forget this. Mr Selby Ngcobo's chapter is full of interesting details about life among the Bantu people; but one wonders whether a man educated at Yale, whose intellectual life at least is now with the Europeans, can speak with authority for the Bantu.

Major-General Sir Francis de Guingand is a distinguished soldier who after the war took up a business appointment in South Africa, where at present he resides. The greater portion of this book is an account of his experiences, some exciting, some amusing, but mostly rather humdrum, as an officer in the King's African Rifles in Central Africa from 1925 to 1931. In the last part of the book, however, General de Guingand, like so many of his former colleagues, departs from the relatively straightforward narrative and plunges into politics. Not untypically for a man whose lifelong experience is of the good comradeship of the regiment and the officers' mess, he is a generous, if rather naive, political commentator. His commendable aim is to see South Africa presented in a fairer light; but in so doing he has to bend over backwards to dodge

unpleasant facts. Would that it were possible to reduce the tangled mass of South Africa's problems to the terse, unequivocal language of the "military appreciation."

Towards Total War

A HUNDRED YEARS OF WAR

By Cyril Falls.

Duckworth. 419 pages. 30s.

PROFESSOR FALLS'S hundred years of war begins on the Alma and ends on the Yalu. The contrast between the Russian guardsman firing a smooth bore musket and the Chinese airman flying a MIG jet fighter is so sharp that it is tempting to talk of the revolution in war. Mr Falls corrects this glib assumption by carefully heading his first chapter "The transformation of war," in which he remarks that

since the sixteenth century it would be hard to find any period of fifty years at the end of which an army, with contemporary weapons and tactics, could not with ease have utterly destroyed an army with those of the start of the half-century.

The methods of waging war are, in fact, ceaselessly being transformed. In the last hundred years this continual evolution was speeded up, but the strategic objectives often remained the same and old-fashioned tactics merely turned up in a new guise. The air became another arena for battle; railways and the internal combustion engine

THE BACKGROUND OF BUSINESS

By H. V. R. GEARY

9s. 6d. net

This book attempts to give an up-to-date and comprehensive description of the workings of the commercial world. Although written primarily as a textbook for students, it is hoped that the clarity of its exposition and the general interest of the subject will also attract the man of affairs and the casual reader.

MAJOR GEARY edited Volume VII (Industry and Commerce) of the OXFORD JUNIOR ENCYCLOPAEDIA

OXFORD UNIVERSITY PRESS

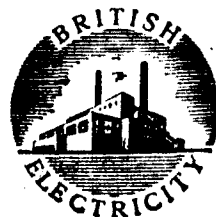
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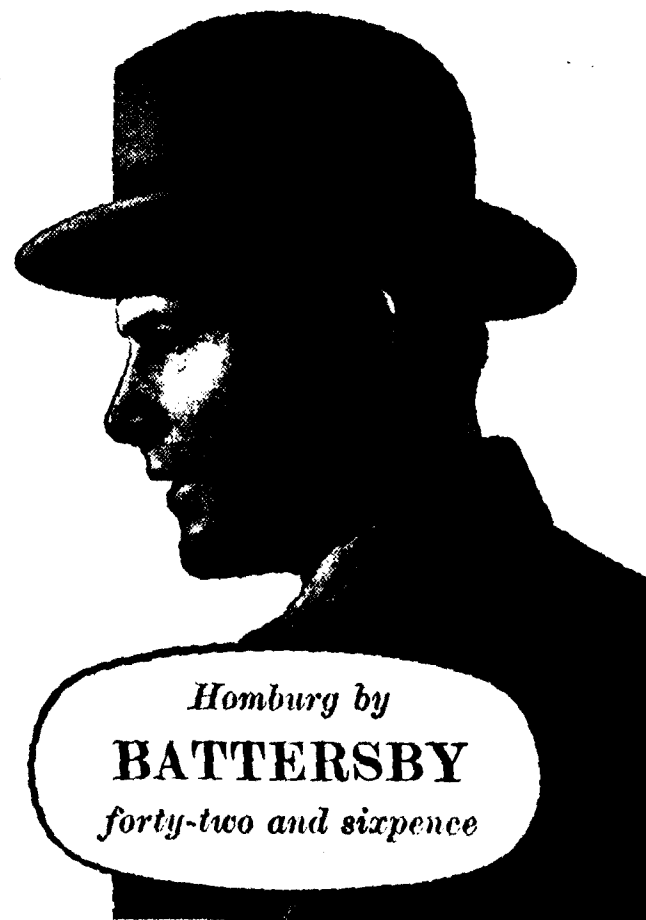
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gave the general staffs new problems in organising supplies and in moving troops; weapons became obsolescent more quickly. Above all else war became more costly and more extensive, so that the limited battles between armies and navies were replaced by an all-in and all-out combat between the great industrial powers. The peasant ploughing on the hillside, indifferent to the battle in the meadows below, has probably never been anything more than a myth, but until the present century that labourer could never feel that his contribution to a war was more telling than that of the soldier in the field.

In his skilful narrative Mr Falls never loses sight of this thread of relentless change. Nor does he evade his task by bumbling airily about principles of strategy. Having sketched in the political and strategic background of the wars that were fought, he analyses the course of all the major campaigns and battles—and some of the minor ones as well; his analysis is necessarily brief and for this reason his opinions may very occasionally seem slightly at fault. By putting his emphasis on tactics he rightly avoids the mistake—to use his own words—of going “through contortions to prove that battles and wars are won by any means except that by which they are most commonly won, which is fighting.” Within the limited compass of four hundred pages, his opinions can therefore never be anything more than sound; but his skill is such that even the most cursory reader can see, for instance, in the American Civil War and the Russo-Japanese War the lessons in tactics that had to be so painfully relearned in the Boer War and in the last two Great Wars. And while the reader is carried forward on the inexorable march towards total war—and the atomic bomb—he is shown, in Napier's phrase, “that war, however adorned by splendid strokes of skill, is commonly a series of errors and accidents.”

War is also commonly a series of terrors and horrors. And it is Mr Falls's belief that over the last hundred years war has grown not merely more destructive but more horrible as well. Few will dispute this judgment when they remember the pattern bombing attacks through clouds or Belsen or Hiroshima.

Making Knives

THE STORY OF CUTLERY.

By J. B. Himsworth.
Ernest Benn. 208 pages. 42s.

THE history of the manufacture of cutlery in this country follows a remarkably consistent line of development from the thirteenth to the latter part of the nineteenth century; a development marked by the steady tightening of a merchant system of organisation and the gradual accumulation of craft skills. In Queen Victoria's reign the artistry of the cutlers reached its apogee, and has gradually been superseded by more mechanical methods catering for less elaborate tastes.

Mr Himsworth entered the cutlery trades sixty-four years ago when the transition from traditional to modern methods had just begun. He is thus well qualified to write about the golden years of English cutlery, and it is fortunate that nineteenth-century methods and masterpieces should be recorded while they remain, in his person, within living memory. The memory probably leads him to do less than justice to many contemporary products; but the connoisseur will readily forgive him.

Collectors, art critics and the general reader should be grateful for having their attention drawn to Victorian pocket-knives, scissors and razors on which were lavished virtuosity and taste which have never been surpassed by workers in domestic crafts. The author perhaps assumes greater technical knowledge than such readers may possess. They may wonder, for example, why it was possible to achieve results with a burnishing-iron which cannot be reproduced on a modern polishing wheel; but the way is made easier by some admirably clear diagrams, and the whole book is beautifully illustrated. The reviewer missed his favourite flower-decked embroidery scissors, and that triumph of manipulative ingenuity, the 19-piece pocket-knife; but as half of the book is devoted to illustrations it would be churlish to complain.

The story of cutlery stretches back, of course, far beyond the nineteenth century, and the writer begins his tale at its earliest point in the Stone Age. The choice of the largest possible historical canvas necessitates broad sweeps of the brush; but the results may fascinate the curious while provoking the pedant. Those interested in social or economic history may regret that more space is not devoted to the people who made and used cutlery over these centuries, and, in particular, that the problems of the recent transitional period receive such cursory treatment. There are some charming sketches of local lore sprinkled throughout the book, and a few disjointed, at times misleading, statistics; but, in the main, the book is not designed for the donnish.

It is a long short-story—an appetiser with a price commensurate with that of other *apéritifs*.

Factual Economics

THE LIVELIHOOD OF MAN.

By Honor Croome and Gordon King.
Christophers. 317 pages. 10s.

THE appearance of yet another book claiming to introduce the reader to economics usually causes mixed feelings, but the “Livelihood of Man” is warmly welcome both as an addition to the current range of textbooks and as a book with a distinct character of its own. It is intended for the senior forms of grammar schools and for those studying for professional qualifications, although both will need to supplement it with more orthodox textbooks, particularly in regard to theory.

The scope of the book is wide, covering the organisation of production (which includes such topics as types of enterprises, division of labour and markets), the banking system, international trade and public finance and employment policy. The authors see themselves as innovators in blending a sound factual background with an introduction to theory at this level. Certainly throughout the book the factual side is strongly emphasised and very well presented, and it is supported by some useful historical background, a very objective treatment of policy and a good selection of maps, diagrams and statistics. But although the book is up to date in its outlook some statistics are unnecessarily old, for example 1949 figures for the United Kingdom's balance of payments and a 1950 balance sheet for a clearing bank.

Besides this strictly factual part, the book contains its share of mythical illustration needed to bring out such principles as the law of diminishing returns (where a convincing factual example would have been a real innovation). Its elementary treatment of theory is generally satisfactory, though rent is not very well dealt with, and there is a notable black spot in the treatment of elasticity of demand. But the factual side of the book is both the biggest and best part, and it should succeed in giving its readers a firm grounding in the working of the economic system and in making economics an interesting subject for them.

Shorter Notice

HORNED MOON.

By Ian Stephens.

Chatto and Windus. 288 pages. 21s.

This book is by the ex-editor of former India's great English language daily—the *Statesman*—and it is therefore written on a firm foundation of knowledge of local languages, religious personalities and racial prejudices. It is a jaunty book and is written as if he enjoyed writing almost as much as travelling. It is therefore both accurate and extremely readable.

Yet it misses a high place in both the classes to which it could claim to belong. As a travel book its best section and best photographs describe the semi-vertical world in which the upper Indus and its tributaries run through Pakistani-held Kashmir; but it falls short of passages in books by both Eric Shipton and H. W. Tilman about the same valleys. As a political book it also has shortcomings. Although it sets out the data of the Indo-Pakistani quarrel among its ruins and massacres, broken lives and United Nations umpires keeping watch in their white jeeps, it never conjures up the dimensions of the problem from the standpoint of people in third countries (which most of its readers will be). The Kashmir dispute ranks with those in Korea and Palestine as one of the world's three most likely causes of war. Maybe it would be difficult to proclaim its true proportions in a book that seems to feel a need to leaven each little lump of serious thought with snatches of minor conversations or passages on the scenery. But Mr Stephens would have done well to try. His technique is much more fitted to the lesser topic of “Pakhtoonistan,” with which Central-Asian pipe-dream he deals most adequately.

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RESOURCES		LIABILITIES	
Cash and Due from Banks	\$1,478,274,159.68	Deposits	\$5,062,087,048.81
U.S. Government Obligations	926,919,119.22	Foreign Funds Borrowed	7,338,533.87
State, Municipal and Other Securities	622,572,603.70	Reserves—Taxes and Expenses	33,494,043.77
Mortgages	43,116,763.62	Other Liabilities	27,641,719.15
Loans	2,393,667,410.71	Acceptances Outstanding	56,014,217.44
Accrued Interest Receivable	13,285,043.52	Less: In Portfolio	6,435,279.29
Customers' Acceptance Liability	48,625,312.49	Capital Funds:	
Banking Houses	31,896,175.35	Capital Stock	\$111,000,000.00
Other Assets	4,105,076.97	(7,400,000 Shares—\$15 Par)	
		Surplus	219,000,000.00
		Undivided Profits	52,321,381.51
			382,321,381.51
	\$5,562,461,665.26		\$5,562,461,665.26

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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.

Damming Up the Northwest

FROM A CORRESPONDENT RECENTLY IN OREGON

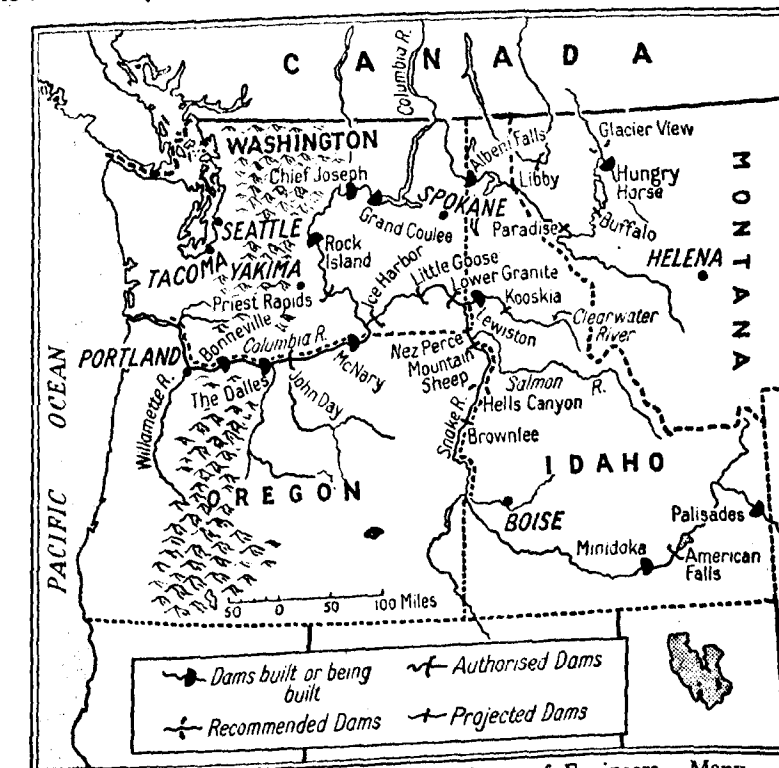
IN the Pacific Northwest President Eisenhower's "indispensable ingredient" of sound planning and aggressive enterprise, "a persistent and reasoned faith in the growth and progress of America," has for some time been running head-on into another of his principles, his determination to decentralise government by handing over as much as possible to local and private agencies. This determination led last August to the Administration's new policy on the development and distribution of hydro-electricity, which

put the primary responsibility for supplying power on to local communities and private companies. But the economy of the four northwestern states, especially of Washington and Oregon, has expanded in the last thirteen years at a rate far above the national average, almost entirely as a result of the cheap power made available by the government's dams on the Columbia River and its tributaries. These are still by far the greatest undeveloped source of hydro-electricity in the country; potential capacity is put at over 30 million kilowatts, and less than a quarter of this has been harnessed so far. To the Northwest the federal government's apparent intention of withdrawing from further power development looked like a threat to dam up the region's growth.

The threat is to the area's agricultural as well as to its industrial expansion, for the huge federal multi-purpose dams provide not only the power which has attracted industry to the Northwest but the water that makes it possible to cultivate the parched inland plateau. As a result both trade unions and farm organisations are deeply

concerned at the implications of the government's new policy, as indeed is almost everyone else in the region. The Democrats are naturally doing their best to spread this concern as widely as possible and to crystallise it into anti-Republican votes next November. The catalyst they are using is the controversy over whether the development of one of the most important dam sites in the Columbia Basin, Hells Canyon, should wait until the federal government can undertake it, or should be carried out sooner, but less satisfactorily, by a private company.

Such an issue, which can be used to point up how the long-term interests of the area may suffer if the federal government is allowed to bow out, is vital to the Democrats because next November comes too soon for the government's withdrawal—and it has not yet said that it will withdraw entirely—to have had any harmful effect on industrial employment or farm production. There is still irrigating capacity unused, particularly from the Grand Coulee development, and during the next few years various hydro-electric projects now under construction, such as



From map prepared by US Army Corps of Engineers. Many smaller federal, state and private projects not shown.

The Dalles, the Chief Joseph and the McNary dams, will be coming into production. Unless there is an unusually severe drought, this should be enough to prevent a repetition of last winter's power shortage for some time.

But already the Bonneville Power Administration, which distributes the electricity generated from the federal dams and provides some 60 per cent of the power used in the area, is unable to take on new electro-process consumers, such as aluminium companies, which want large blocks of



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ASSETS		LIABILITIES	
Cash, Gold and Due from Banks	\$1,484,190,123	Deposits	\$5,538,214,433
United States Government Obligations	1,539,876,061	Liability on Acceptances and Bills	\$52,873,952
Obligations of Other Federal Agencies	16,714,882	Less: Own Acceptances in Portfolio	22,158,030
State and Municipal Securities	463,780,518	Due to Foreign Central Banks (In Foreign Currencies)	30,515,922
Other Securities	87,986,399	Reserves for:	16,897,800
Loans and Discounts	2,368,582,461	Unearned Discount and Other Unearned Income	22,550,166
Real Estate Loans and Securities	294,007	Interest, Taxes, Other Accrued Expenses, etc.	44,127,021
Customers' Liability for Acceptances	28,222,379	Dividend	3,750,000
Stock in Federal Reserve Bank	9,800,000	Capital (7,500,000 Shares—\$20 Par)	\$150,000,000
Ownership of International Banking Corporation	7,000,000	Surplus	170,000,000
Bank Premises	32,881,838	Undivided Profits	72,966,329
Items in Transit with Branches	5,611,898		302,966,329
Other Assets	4,261,105		
Total	\$6,049,021,671	Total	\$6,049,021,671

Figures of Overseas Branches are as of December 23.
\$352,723,093 of United States Government Obligations and \$17,827,600 of other assets are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.
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power. New industries are especially needed in the State of Washington, which is overdependent for its employment on the government—on defence contracts at the Boeing aircraft factory and the navy's shipyards in and near Seattle and on the atomic energy installations at Hanford. Even normal growth of existing industries, and of population (from 4.7 million in 1950 to about 5.7 million in 1960), make a power shortage inevitable in the Northwest by, or soon after, 1960, unless additional capacity is installed.

The annual energy requirements of the region increased from 7 billion kilowatt hours in 1940 to about 40 billion last year; the Bonneville Power Administration estimates that they may reach double that amount, about 80 billion, by 1960, and that by then 750,000 kilowatts of new capacity will be needed a year. These estimates are, of course, based on the supposition that there will be no lasting economic recession, either nationally or locally—but in the booming Northwest, even more than in the rest of America, it would be heresy to suppose anything else.

★

A recession would not only reduce the demand for electricity, but also make it more likely that the necessary new dams would be built by the federal government, as pump-priming public works. For the impending shortage is the result not of bad planning, but of Congress's refusal to provide money to implement the plans. An integrated programme was worked out in the nineteen-thirties, and has been brought up to date since, for the orderly development of the region's resources and for the building of dams to a schedule that would have kept supply in step with demand. But since 1946, when the wartime need for extra electricity was over, the programme has been suffering from creeping paralysis, until now there are no new projects even under Congressional consideration; several that have been authorised, the series on the Snake River above the McNary dam for example, have not been begun and those under construction have been delayed.

This is not the fault of the present Administration; post-war Democratic Congresses showed little enthusiasm for such schemes and not even President Truman pressed them very hard. But the Republicans came to office just as the delay became disastrous. For these big dams take at least five years and probably longer to plan and build and they must be begun at once if electricity is to come from them by 1960.

Even if President Eisenhower were to press for funds for some of the authorised dams, Congress would probably not give him the money. For the desire to economise on federal spending, stronger than ever this year, is by no means the only obstacle. Representatives from rich eastern industrial districts and from poor southern agricultural ones agree in failing to see why their constituents' taxes should subsidise competition from a region that is already doing better than the rest of the nation. They are therefore very ready to listen to the protests of the private power companies' lobbyists and of the other local spokesmen who oppose the big federal dams.

The strongest objections come from fishermen—not only from the commercial companies but from the sportsmen. One out of every five Oregonians has a fishing licence and that means too many votes for any northwestern politician

to ignore. The Army Engineers, who are responsible for recommending dam sites, chose Hells Canyon rather than Nez Perce, said to be as satisfactory otherwise, because the latter would have kept the salmon from their spawning grounds in the Salmon River. Similarly a potential dam site at Kooskia is not being considered because it would interfere with Indian interests: another nearly extinct survival of early America, the elk, would have its traditional feeding grounds flooded by a dam at Glacier Park. The Libby dam has been held up because its lake would spread over the Canadian border and international negotiations are necessary.

These enormous upstream dams, of which only Grand Coulee and Hungry Horse have been built, are storage dams, where water can be held to supplement the flow through run-of-the-river dams at Bonneville and elsewhere during the autumn and winter. The Columbia and its tributaries are fed by melting snow and when the level of the water is low the downstream generators cannot work to capacity. Thus the full potentialities of existing dams cannot be relied on all the year round unless more storage dams are built. This is the basis of the argument against the taking over of the Hells Canyon site by a private company. The three small dams which this company proposes to build would have a much smaller storage capacity, although only a slightly smaller installed capacity, than the big federal dam. But if permits are granted soon, they could be in operation well before 1960, while the federal dam is not even authorised yet.

★

This Hells Canyon project is only one example of the spurt of dam-building activity among private companies and local public power authorities (plentiful in the State of Washington) who are trying to show that they can beat the shortage now that the federal government is ready to let them. They have always argued that there would never have been a power shortage in the Northwest at all if federal interference had not made it impossible for private companies to plan an orderly commercial development.

Until now, nevertheless, the private and local public companies have never proposed building the much-needed multi-purpose dams, presumably because their cost, from a quarter to half a billion dollars, was too great. Even the present Secretary of the Interior admits that these are still the responsibility of the federal government, for the purposes for which they exist officially, improved navigation, flood control and irrigation, are "non-reimbursable," that is, unprofitable. The latest suggestion, however, which the six leading companies in the Northwest are now thinking of carrying out jointly, is that such dams might be built in partnership with the federal government, with the private companies being responsible for the profitable side of the undertaking, the generation of electricity. This partnership idea has the support of the region's four State Governors, and apparently also of the Secretary of the Interior; they are prepared to press for federal legislation, if necessary, to implement it. But even if enough money is found in this way to overcome the immediately impending crisis, it would not be an answer to the question of who, if not the federal government, is going to do the long-term planning, without which the full possibilities of the Columbia Basin cannot be realised.

American Notes

The General and the Particular

THE broadcast which the President made on Monday night as a curtain-raiser to Thursday's Message on the State of the Union might, in the opinion of some observers, have been made more effectively as an epilogue. Then it would have been possible to discuss the Administration's aims in concrete terms rather than in high-minded generalities, dealing, perhaps, with the projected \$5 billion cut in military spending which is already perturbing some people. Instead, the President was confined to listing the accomplishments of a year which even he himself conceded has been spent mainly in laying the groundwork for future action.

The tactics of the President's advisers may have been faulty, but the strategy was evidently to focus public attention on the State of the Union message, and to remind the voters, in the politest possible way, that they have an interest in seeing that Congress deals promptly with the Administration's programme. Whether this will live up to its advance billing as "dynamic and progressive" will become known while *The Economist* is in the press. But the President's promise of government concern with slums, bad roads and schools, and inadequate protection against ill-health, unemployment and poverty in old age shows that the Administration is taking a view of its social responsibilities which will appeal to independents and the Democrats whose support is necessary if the next session is to be fruitful.

Nevertheless it may prove difficult to mobilise public opinion effectively behind a programme which is going to seep out over a period of five or six weeks. The impression is that the Message on the State of the Union will contain no surprises and only the highlights of a programme; the controversial decisions on agricultural policy, the Taft-Hartley Act, taxes, social security and housing will be spelled out in a series of supplemental messages.

★

A minor flare-up over the allocation of defence contracts shows how great the gulf may be between political reality in particular cases and the President's deeply felt thesis that no American can prosper if others fall behind. No assurance was more welcome than the promise that the Administration was using every legitimate means to sustain prosperity and would continue to do so. But there has been an angry response from the South to the re-invigoration of an old scheme for channelling some defence contracts into the three dozen areas, chiefly in New England, which suffer from long-standing unemployment, and stimulating the building of new plants there through the use of tax incentives.

The original plan was launched in 1952, but the Truman Administration did not press it for fear of widening its breach with the South, which objects to sharing with the

older textile centres the business its new factories have won away from them. Senator Knowland, the Republican majority leader, has joined the southerners in demanding reconsideration of a step which might endanger bi-partisan support for the Administration. This early collapse of party discipline is a bad augury for the next session unless the President continues to show that he means to lead his party in practice as well as in principle.

Jobs for Few Boys

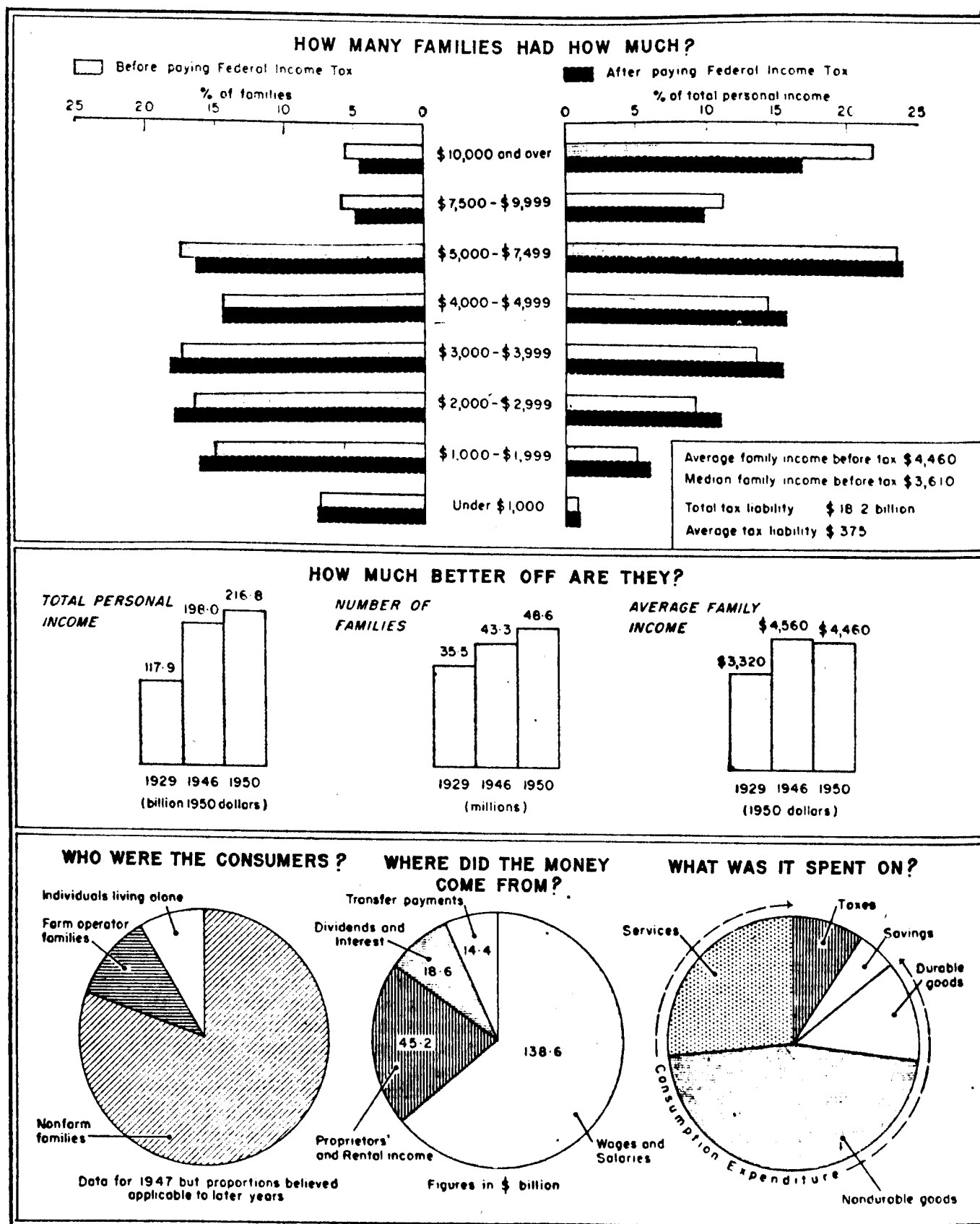
THE Administration continues to be bombarded by increasingly querulous Congressmen seeking places on the federal pay-roll for deserving Republicans although most of the 2,365,000 government jobs are under the civil service. Pledged as it is to reduce the number of government employees—and nearly 185,000 have gone since last January—the Administration can find places for Republicans, in the main, only by withdrawing jobs from the civil service. The President has taken the view again and again, however, that the sanctity of the civil service must be respected, although policy-making posts ought to be manned by men loyal to the aims of the new Administration. The fruits of such an approach have been meagre: the Civil Service Commission has agreed to remove only just over 700 "policy-making" jobs from under the civil service, rather less than half the number requested. It has, however, apparently approved the appointment of new personnel officers in each agency, themselves outside the service, whose unofficial job is to appease Congress by finding room for other Republicans.

A more promising target has seemed to be the 134,000 jobs under Schedule A, a mixed bag of positions outside the career service from which the President stripped security of tenure last June. The Department of Justice has been the most zealous in taking advantage of the President's order, something which is not surprising in view of the fact that the Attorney-General, Mr. Brownell, is the President's chief dispenser of patronage. In his dismissals, Mr. Brownell has run afoul of the Civil Service Commission, which thinks he has gone too far, but he has been almost too successful in the courts. A federal judge has ruled that the President has unlimited power to transfer jobs from protected to unprotected classifications and therefore to replace their holders—a ruling which, if it is not upset on appeal, or over-ruled by Congress, in theory jeopardises the whole civil service, although no Administration would dare to revert to the spoils system. It caused such alarm among government employees, already unnerved by security tests, McCarthyism, and the baleful eye of the Republican member of the Civil Service Commission, that the President had to issue a statement that he would not take advantage of the decision. But if it is sustained, Mr. Eisenhower will find it harder to resist his party's demand for spoils.

If Mr. Brownell wanted to prove that it is not partisan advantage but the improvement of the civil service which he has at heart, he might follow up his initial victory with an attack on the system of preferences for ex-servicemen which makes it almost impossible to get rid of incompetents. But the Department of Justice has tended to shy away from any legal test of veterans' rights, no doubt out of a

Consumers' Incomes in 1950

The figures for these charts were taken from preliminary estimates in "Income Distribution in the United States," a recent supplement to the *Survey of Current Business*. Prepared in the office of Business Economics of the US Department of Commerce, this supplement initiates a new series of statistics on the distribution of personal incomes by size. In the charts, "family" means "consumer unit," whether a family group or an individual living alone.



healthy respect for their powerful lobby. Perhaps the task force just appointed by the new Hoover Commission to examine the civil service will produce a report bold enough to encourage Mr Brownell.

Republican Appeasement?

PRESIDENT EISENHOWER'S reported statement this week, to Congressional leaders, that the United States will retaliate directly against Red China, if the Chinese renew the Korean war or intervene in Indo-China, was a direct answer to the Democrats. For, picking up where the Republicans left off a year ago, they had been accusing the President of appeasement of the Communists because he is bringing home two of the eight divisions of American troops in Korea. His statement, which had been implicit in earlier remarks both by him and by Mr Dulles, makes it clear that he is no more ready than was Truman to countenance aggression in the Far East, but that he intends to choose his own ground on which to fight. Nevertheless the withdrawal of the troops, as both President Rhee and General Chiang Kai-shek realise with chagrin, also makes it clear that the United States has no intention of starting to fight again unless the Communists force it to do so.

Further details have thus been filled in of the President's new defence policy, the outcome of combining a desire for economy with a growing belief that an armed truce can, and must, be expected all the world over for many years. This seems in effect to mean that the President plans to maintain a strong mobile striking force, armed with the latest weapons, centred on the United States, but with outposts within easy reach of the Communist perimeter—in Japan and Europe particularly. But the perimeter itself will be manned by, and such fighting as has to be done (in Indo-China for example) will be the responsibility of, local troops.

These troops will continue to be supplied with weapons from the United States, but on a smaller scale. Indo-China directly and through the French has had almost \$2 billion worth in the last four years, and 30 per cent of the current year's foreign aid funds are earmarked for the Far East. The military aid director from the Defence Department told reporters at the beginning of January that there was still some \$1.1 billion worth of aid to be delivered to foreign military forces under existing appropriations. These deliveries will take about two years to complete but, when that is done, the main American contribution to these forces will have been made and only replacements will still be offered. This means that from now on Congress need only be asked for "relatively small contributions for military aid," which is in practice all there would be any likelihood of Congress providing.

From Steer to Steak

M EAT, which was 1953's toughest farm problem, came to the President's rescue at the year's end, for it was largely thanks to meat that he was able to say in his broadcast this week that "the fantastic paradox of farm prices

on a toboggan slide, while living costs soared skyward, has ceased." For the November downturn in the cost of living, the first for eight months, resulted mainly from a decline in meat prices, while the December upturn in farm prices, the first for seven months, came from a rise in the prices received for meat animals. This probably means that in December the fall in the cost of living was halted; if so, this will bear out the Department of Agriculture's recent contention that retail meat prices do in fact reflect the prices paid to farmers and that the middlemen are not the scalpers that farmers and housewives like to think they are.

The Department of Agriculture's study was initiated in September, on Congressional insistence, as part of the attempt to satisfy the disgruntled cattlemen who were struggling with a drought on top of a two-year decline in the price of beef; it had fallen by about 20 per cent in the past twelve months. One of the reasons, the department found, why housewives did not seem to be benefiting much was that prosperity has given them the habit of buying only the best. The steers which western cattlemen were being forced, by lack of fodder, to flood on the market were low-grade animals more suitable for sausages than for steaks, and were seldom seen on fresh meat counters. The department's other explanation was that meat middlemen's costs were fixed, except in so far as they have increased like other people's; wages of everyone from slaughterer to butcher's boy had gone up and so had transport and other charges. This in fact means that meat handlers' profits on each pound sold have probably gone down, since the margins allowed for marketing costs, on choice beef at least, did not rise last year. However, on all cuts of beef the margin in 1953 was 25 cents a pound, compared with 20 cents in 1949; the share of the retail price going to the farmer declined over the period from 70 per cent to 64 per cent.

Actual retail profits on beef should be substantial, for total consumption a head went up from 55 pounds in 1951 to 75 pounds in 1953 and is only expected to fall slightly this year; the average price of a pound of beef was about 70 cents last year, compared with 90 cents in 1952. Such a demonstration of the stimulating effect of falling prices on consumption may make the cattlemen temper their demands for government support to keep cattle prices high. In any case the decline in cattle prices appears to have been arrested, as has its basic cause, the steady increase in the number of cattle on farms which began as a result of 1950's high meat prices.

Rain, Rain, Go To—

I T must be refreshing for a federal bureau to be told that it is not spending enough money. A committee of private meteorologists has concluded that the methods of the US Weather Bureau will always be twenty to forty years behind the times if it does not secure a larger appropriation; it has "carried frugality to the point of diminishing returns." The bureau costs the American people 18 cents a head a year to run, compared with 20 cents a head in Britain, 47 cents in the Soviet Union, and 50 cents a head in Canada. The committee also recommends that the

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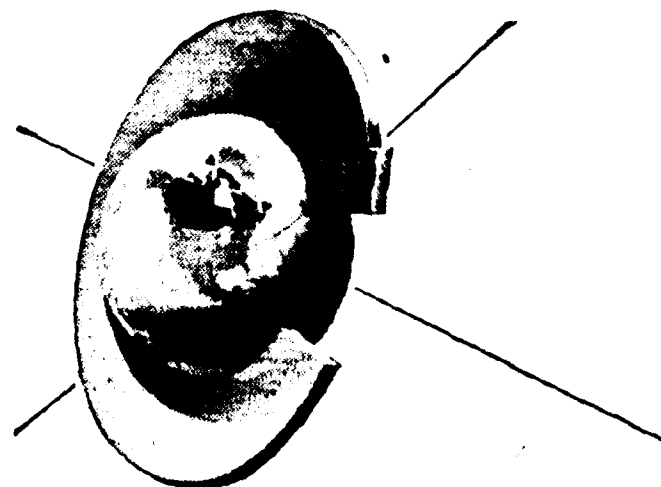
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bureau strive to bring in younger experts, pursue a more vigorous programme of research, and decentralise its activities. Its first electronic computers will be installed this year.

It is the arguments of the other countries represented on the International Civil Aviation Organisation, however, not those of its own advisory committee, which have persuaded the Administration to modify its decision to withdraw its weather ships from the Atlantic. One of the American complaints has been that the cost was excessive since the weather moves, in general, from west to east and Europe therefore secured most of the benefits of the observations taken.

This characteristic of the weather is the basis for the headline catching suggestion of Captain Orville, the head of a new committee to evaluate methods of controlling the weather, that some day it may be possible to cause drought or torrential rains over Russia, while the Soviet Union could retaliate, in the newly literal cold war, only over Alaska or western Canada.

Mr Orville, it is clear, is no scoffer at the claims of the professional rainmakers, who in 1952 shot silver iodide into

"That Man With The Corns Will Have To Go"



Herblock in the Washington Post

the clouds over 400 million acres, mostly farms and ranches in the drought-ridden west. This is approximately a fifth of the area of the continental United States, but the cost is so low—1 cent to 17 cents an acre—that even farmers who are still sceptical may consider it worthwhile to be on the safe side. The weathermen are also being called upon to refill city reservoirs (although New York City abandoned the experiment because it brought so many damage suits from resort owners and farmers), to find water for hydro-

electric plants, to increase the mountain snow-packs and fight forest fires.

Scientists remain fiercely divided on whether rainfall can be increased as much as the rainmakers claim, and some believe that it will never be possible to conduct a really conclusive test until there is federal control. At present one man's rain may be another's silver iodide. It will be one of the main jobs of the Orville Committee to determine whether federal legislation is desirable or necessary. The weather clearly moves in inter-state commerce, but the rainmakers prefer the easier rein of state control, and ten states have already passed such legislation. Three have gone further and laid claim to all the moisture suspended over their land.

Lift for Letters

FLYING the first-class mail, which is a commonplace in Europe and Canada, is still in the experimental stage in America. In October, four airlines agreed to carry first-class letters and postcards between Chicago and New York and Chicago and Washington whenever they had space available at 20 cents or less a ton-mile, compared with the minimum of 45 cents a ton-mile for regular air mail. Although the cost to the Post Office is no greater than sending the mail by train, letters have been arriving a day earlier and an extension of the scheme to western cities is now being considered. Only the railways object, although the airlines have some qualms about the effect on their regular airmail revenue when the public begins to realise that a 3-cent stamp may be as speedy a messenger as a 6-cent one.

But even the regular airmail rates are being scrutinised by the new team at the Post Office, which has a \$440 million deficit to liquidate, as well as a mission to improve postal services which it considers are twenty years behind the times. Regular air mail is carried by 27 airlines at rates fixed by the Civil Aeronautics Board, which vary from 45 cents a ton-mile for the big four to as much as \$2.58 a ton-mile on remote, non-competitive routes. Such variations seemed unreasonable, and not long ago the Post Office announced that on competitive routes it would give its business to the lines with the lowest rates, particularly as the outright subsidies paid to some lines are now the responsibility of the CAB. The effect of this order was to send six smaller lines to the CAB with a petition to allow them to reduce their rates, lest the big four swallow up the lion's share of the traffic. Not only has this been granted, but the CAB has announced, as the Post Office had hoped, a full re-examination of the mail rate structure of the thirteen trunk airlines.

On short hauls, arrangements are being worked out with buses. But however great the savings, they are not likely to bring lower charges. The Post Office has raised all the rates it is allowed to alter, and still hopes that Congress will act on its appeal for increases in the rest, although this is not likely until after the election. It may be as long as four or five years before the bulk of long-haul first-class mail is carried by air at rates, for letters, somewhere between the present 6 cents for air mail and 3 cents for first class.

The World Overseas

Iran Tries to Catch Up

AFTER just under a year of ruptured relations, the Iranian Embassy has this week reopened its doors in London. As a gesture in favour of better relations in 1954, *The Economist* greets the newly arrived diplomats by the name that they prefer—as Iranians instead of Persians. (The choice of word does not alter its belief that the speaker of a language has a right to choose his own vocabulary, and that Persia is as good an English word as Germany or Greece.) The Iranians are welcomed but not envied, for the decisions that lie ahead of them are awkward ones; they are decisions which, if they are to restore Iran's financial and political stability by restarting revenue from oil on any scale, are bound to touch Iranians in general upon the raw to an extent which Westerners, with their very different scale of values, find it hard to conceive.

Two and a half years ago, when Iran handed power to Dr Mossadegh, it held a comfortably strong hand in the realm of oil negotiations. Its desire for a bigger say in the management of its biggest industry was backed by the whole of Asia and a sweeping majority of the rest of the world. Since then, it has weakened this hand by following the blind impulses of an old man who disdained all considerations other than that of getting rid of the profitable British in the south as he had got rid of the unprofitable Russians in the north, and who was ignorant not only of oil technicalities but of the basic facts of world trade. As a result, Iran today is in poor case. With few backward looks, the world oil trade has moved on without it; as long ago as 1951, world oil production, including Iran, was 10.7 million barrels daily in the first half of the year, and in the second half 10.8 million barrels, excluding Iran. Today, again excluding Iran, there is an immediate world surplus productive capacity of crude oil amounting to about 1.5 million barrels daily. For a would-be seller, pushing back into a buyers' market is never an easy or convenient operation.

Secondly, not only Abadan refinery but the field and pipeline apparatus at its back have suffered deterioration to an unknown extent. Corrosion is notoriously quick to affect idle catalytic cracking plants; long pipes such as the crude oil lines from field to refinery or—from Agha Jari and Gach Saran fields—direct to the loading jetties at Bandar Shahpur, are likely to become coated with sulphurous and other deposits if little used; power houses and transport fleets need regular overhauls that have not been forthcoming for lack of spare parts. The whole apparatus will be expensive to put back into working order, and the Iranians, as a result

of the depredations on their Treasury caused by Dr Mossadegh's barren policy, have no funds with which to do the job. In a word, the world is in no hurry for Iran's oil; the real need for haste is all on the Iranian side.

Yet there are some formidable bars to any Iranian step in the direction that would bring advantage. Even as a result of the experiences of the last two years, the heart that beats beneath the well-cut suit of the educated citizen is the same as ever. The chief emotions that regulate it are two: a national pride that is based on an eleventh-century epic—the *Shahnameh*—which all can quote with polished ease and disconcerting confidence, and an overwhelming imagination that sees lurking in every proposition the involved and cunning motives that grace its own thoughts. All Iranians therefore love to parry but hate to thrust. They prefer never to have to make any concrete proposals for action. Yet they are in, or near to, a pass in which no other course is possible. For why should the West do the proposing? Its experiences in this field have been bitter and fruitless, and by its standards the matter presses only in so far as the western powers and oil companies wish to see a stable Middle East, and therefore want to encourage Iran to recover prosperity.

Any proposals made by Teheran, however, must take into account some home truths that have been too little publicised up to date. If help—financial, technical or with marketing—is needed to get the industry onto its feet again, the first condition for which the helper will ask is some guarantee that any investment he may make is not going to expose him to losses. He is going to ask for iron-clad assurances that he is secure over a given period, that he will not suddenly find his rights questioned or his money in jeopardy. When Mr Harriman made his proposals in 1951, he ranked arrangements for efficient operation before the compensation issue because, as he repeatedly put it to the Iranians, "before compensation is worth talking about there must be ability to pay."

Apart from the difficulties of finding willing investors, the facts that Iranian pride now has to swallow are that without a foreign purchasing organisation Iran cannot make big money; that no suitable purchasing organisation will come forward unless it can fix prices that do not jeopardise the other oil operations of its members; that no one will want to go to the trouble of creating such an organisation unless there is some guarantee of an efficient operating organisation inside Iran, entailing, no doubt, guarantees of no political interference on the technical

side; that all the companies capable of giving such help have, in various other countries, big investments of much the pattern of those the Anglo-Iranian Oil Company made in Iran, and that none are going to join in a settlement that might jeopardise the basis of their operations elsewhere; and that the compensation issue is therefore an essential part of any settlement. Another fact, obvious to any westerner, is clear only to a modicum of Iranians; this is that, vociferously though Iranians say they hate the British, the compensation claim will be milder if the previous owner of the concession gets some of the new rights. The pace at which these thoughts will mature and blossom into action depends more on Iranians than on any foreigner. A brake upon the process will be applied by Tudeh partisans, by reactionaries such as Mullah Kashani and by would-be prime ministers such as Mr Husain Makki; all these will try to influence the issue so long as they are vouchsafed freedom to shout.

China Through Soviet Eyes

SINCE Stalin's death there have been great changes in Sino-Soviet relations. Not only was the Soviet aid to China's industrialisation stepped up, but the whole treatment of Chinese topics by Moscow's propaganda has altered. Up to last March Mao Tse-tung could not be placed on the same pedestal as Stalin. With the latter's departure, however, and the struggle among his successors the star of Mao has been rising on the Communist horizon. Four years ago Mao and Chou En-lai were going to Moscow as junior partners. Today China and its leaders are presented as equals. The new approach was well illustrated by the telegram sent to Mao last month on the occasion of his sixtieth birthday by the Central Committee of the Soviet Communist party. Such warm and eulogistic greetings have not been sent from Moscow for many a year. Mao is shown not only as a practitioner, but also as a theoretician of Marxism and Leninism, and thus implicitly as a potential arbiter in disputes within the Communist bloc.

Indeed Mao's birthday was celebrated in Russia with probably greater pomp than that of any living Soviet leader. Mao's selected works are now being published simultaneously in China and the Soviet Union and the appearance of the fourth volume has given all Soviet papers the opportunity to praise his great achievements. The Soviet illustrated weekly *Ogonyok* devoted much of its space to Mao and his country. A full-page portrait of the Chinese leader is accompanied by a short story in which Mao is covered with a mantle of greatness reminiscent of Stalin. Indeed, since other Chinese leaders do not get the same amount of publicity, it could be said that the post-Stalinist ban on the "cult of the individual" does not apply in the case of Mao Tse-tung.

Comment on the affairs of China is by no means limited to praises of its leader. An increasing amount of space is devoted to China's economic development, to its industrialisation drive and to Soviet participation in it. The evidence, however, is too fragmentary to allow a definite assessment of the scale of Soviet assistance. Outside sources have put the number of Soviet experts working in China at as high

as half a million. The figure sounds fantastic and it probably includes the old White Russian emigrés in Manchuria and Shanghai. On the other hand, a heavy two-way traffic is going on between the Soviet Union and its ally. In addition to planners and highly qualified experts, skilled Soviet workmen are now also sent to China. They are particularly active in coal mines and in the building of steel mills and power stations.

Chinese specialists and workmen travel in the opposite direction. Chinese students now form the largest foreign group in Soviet universities. Chinese engineers and apprentices are spread throughout Soviet metallurgical plants. They are particularly numerous in the Krivi Rog; this can be gathered from the fact that they have their own bands and choirs there. With official delegates, planners and experts travelling to and fro, the newly launched daily Moscow-Peking express, which takes nine days over the journey, is not likely to lack passengers.

The crucial issue, however, is how much of the scarce Soviet heavy equipment can be spared for China's Five-Year Plan. Last summer the Russians agreed to help in 141 major construction projects. As if to underline its growing interest, the Soviet Union last month sent an important delegation to the ceremony celebrating the completion of two steel mills and one blast furnace at Anshan, China's steel centre. The delegation was headed by Russia's top metallurgist, the recently appointed vice-premier, I. F. Tevossian. But clearly everything cannot be settled in the festive mood of ceremonial openings. The bulk of Soviet aid is concentrated in North China and particularly in Manchuria, which is playing in China's industrialisation the same role as the Donbas played in the Soviet. But even there investments must take longer to mature than in other parts of the Soviet bloc. Soviet planners cannot afford to supply too much heavy equipment for the insatiable Chinese market. A Chinese delegation has just reached Moscow to discuss the trade agreement for the current year and both sides will bargain hard. But there must be veiled with Chinese ceremonial. They will be pushed into the background since each side is aware that it cannot afford a break in the present international situation. At this stage it would be idle to expect a breakdown in the Moscow-Peking traffic.

Italy and American Aid

[FROM OUR ROME CORRESPONDENT]

ITALY, stripped of its colonies by the Peace Treaty, has no Indo-China. Its quota of American aid is therefore considerably lower than that of France. Until June 30, 1950, it was just over half of the French share; thereafter it declined and for fiscal year 1954 (ending June 30, 1954), it will be about \$325 million—less than 30 per cent of what France will get.

At present, the main source of dollars is the Defence Support Programme, which makes available raw materials, mostly from dollar sources, to industries engaged in producing goods and armaments for the defence programme. These supplies are paid for in lire by the Italian manufacturer and the proceeds administered by the Italian Government as counterpart funds. These are used mostly for the

opening up of the south and other backward areas, but also as a means of financing the modernisation of certain industries, particularly steel, at a low rate of interest. The loans are then repaid direct to the *Cassa del Mezzogiorno*, the Government Corporation for the Development of the South. Although nominally made available for military purposes, defence support aid can best be regarded as a contribution to the improvement of Italian industry and agriculture.

The administration of counterpart advances has been to

TABLE I—ESTIMATED BALANCE OF PAYMENTS
Million dollars

	Fiscal year 1953
1. Imports.....	2,345
2. Exports.....	1,370
3. Deficit on visible trade.....	975
Of which:	
With \$ area.....	262
" EPU area.....	580
" others.....	133
4. Net balance for services.....	400
Of which:	
With \$ area.....	130
" EPU area.....	230
" others.....	40
5. Total deficit.....	575
Of which:	
With \$ area.....	132
" EPU area.....	350
" others.....	93

some extent thwarted by the cumbrous and bureaucratic Italian banking system through which they are issued, and they have tended to benefit mainly the state corporations and industrial monopolies which dominate the Italian economy. But there is no question about the magnitude of the effort involved. Some £60 million has been made available to the *Cassa del Mezzogiorno*, and that sum, added to the Italian Government's own contribution, has resulted in land reclamation, road and house construction and the provision of public utilities in the south on a scale dwarfing the achievements of any previous regime. Similarly, it is largely thanks to American assistance that Italy now has a steel industry which stands a chance of competing with its British and German competitors, at least in the home market.

Equally important has been the American contribution to Italy's chronic unemployment problem. The *Cassa's* schemes and other public works have of course provided work, directly and indirectly, on a vast scale. To some extent, these results are offset by the need to lay off workers from the heavy industries which Mussolini's policy of autarky had so rashly inflated, since part of the dismissals were due to the introduction of more modern plant.

But the main stimulus to industrial production will in future come from offshore orders. Those so far placed amount to almost \$400 million and it is estimated that, over the next two years, they will constitute 56 per cent of total Italian arms production. They will provide employment this year for 30,000 workers and gradually for as many as 90,000. Work has been spread over all industrial areas, from Milan and Turin down to Naples. The main items to be produced are ships, ammunition and aircraft, but there are to be a good many civilian vehicles and a good deal of electronic equipment as well. The bulk of the money will be received only after delivery; \$10 million was paid in the US fiscal year 1953; \$155 million is expected this year.

Italy's dollar gap, curiously enough, is now the least important aspect of its total deficit, though in the immediate postwar years its dollar gap was just as wide as its neighbours'. The tourist trade is now flourishing. Last year Italy had eight million visitors, including half a million Americans. Dollar imports are declining. Machinery and cotton are available from non-dollar sources. Moreover, Italy has just concluded an agreement with the Russians for, among other things, grain and petrol, and it has had a bumper domestic wheat crop. Lastly its miscellaneous exports to America are slowly rising, and as usual there is a net balance on invisible transactions with the dollar area.

The only fly in the ointment is the deficit with the European Payments Union (EPU) running at about \$1 million a day; but rather than close this gap by reducing imports from the EPU countries Italy has chosen instead to reduce its imports from the United States. Presumably the justification for this choice is that only a portion of the EPU deficit has to be paid in gold, while the rest is a credit granted by its EPU partners. In its latest report* on Italy, the OEEC suggests that the deterioration of Italy's trade balance with EPU is due very largely to the impact of the trade liberalisation programme. Italy has liberalised as much as 99.45 per cent of its imports from the EPU area and, in consequence, they have increased substantially. On the other hand, because of the failure of both France and Britain to ease their import restrictions correspondingly, Italian exports continue to suffer.

As will be seen from Table II, Italy obtained \$245 million (including spending by US troops) in the American fiscal year 1953 and hopes to pocket \$325 million in 1954. In the fiscal year 1953 its deficit on current account with the dollar area (Table I) was in the neighbourhood of \$130 million and its gold and dollar payments to the EPU were perhaps \$80 million. Broadly speaking, therefore, American aid plus military expenditure in Italy was more than enough to cover its total gold and dollar deficit with these two areas.

TABLE II—US AID AND MILITARY EXPENDITURE
(Receipts in million dollars)

	Fiscal year 1953	Fiscal year 1954
1. Onshore procurement.....	10	150
2. Defence support programme.....	190	125
3. Infrastructure.....	10	15
4. Troop spending and US forces construction.....	35	35
TOTAL.....	245	325

Lastly, Italy uses American funds to stop the gap in its national budget. In the fiscal year 1953 the deficit was (if banking and funding operations are excluded) 643 milliard lire out of a total expenditure of 2,530 milliard. (One dollar = 625 lire.) Of this deficit 120 milliard was provided by American counterpart funds, derived from the Defence Support Programme. Last year the figure was over 200 milliard. The balance of the deficit is met by the issue of public loans and advances from the Bank of Italy. Strictly speaking, the schemes undertaken with counterpart funds are not necessary. To that extent, Italy could diminish its budget deficit. But, from the broader

* "Economic Conditions in Italy" published in Paris by the Organisation for European Economic Co-operation.

political point of view, Italy can only survive as a democracy and ally of the West if it is helped to raise the deplorably low standard of living in the south and lay the foundations for the wider industrialisation of the country as a whole without which it will be condemned to lag permanently behind its more prosperous neighbours.

Whether American aid has achieved its main objectives, however, is doubtful. Admittedly, economic and political collapse has been avoided and industrial production is increasing steadily. But the lack of a strong centre majority is increasing the pull which the extremes are able to exert. Italy can only emerge as a modern state, with the influence which its intelligent and numerous population deserves, if it can evolve a modern administration, banking and retail system and a measure of free competition which state control of industry and finance and the growth of monopoly (the two factors are closely interrelated) have combined to stifle. Unfortunately, there is no party with all or even most of these aims on its programme. And American aid, by working through existing Italian machinery, has to a large extent consolidated the existing stratification. It is this basic lack of a flexible economic system which makes Italy one of the weakest members of the Western camp.

Oil Prospects in Australia

FROM OUR MELBOURNE CORRESPONDENT

AUSTRALIANS may perhaps be forgiven for showing such unrestrained enthusiasm at the discovery of oil in the remote Exmouth Gulf region of Western Australia, for up to the present not a single oil seepage had been discovered in the country's three million square miles. Although the strike may not have surprised the geologists who have spent many long years conjuring up the possibilities of the likely oil-bearing regions of the Commonwealth, it nevertheless came as a tremendous surprise especially to investors who saw their holdings of Ampol shares taken to fabulous heights.

A major oil discovery in Western Australia would undoubtedly transform the whole pattern of the Australian economy. In 1952, Australia imported 5.7 million tons of petroleum products of a value of £79½ million. If the Exmouth Gulf discovery leads to the development of a field producing oil in large commercial quantities, Australia might find itself an exporter, instead of an importer of oil, with a consequent direct saving in foreign exchange.

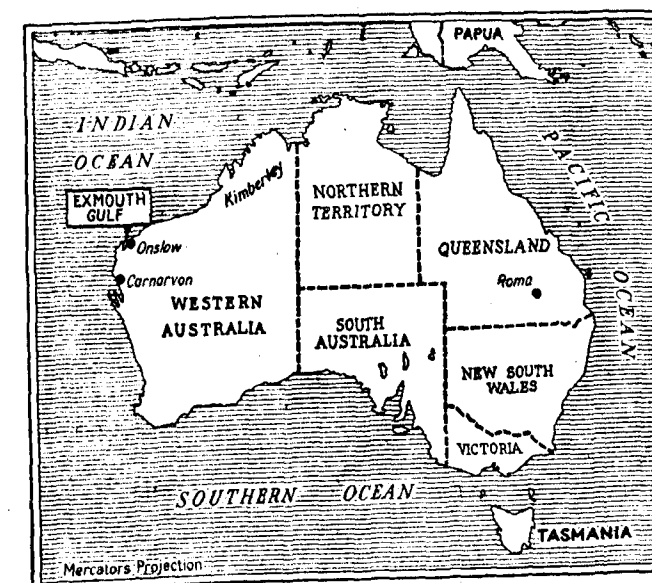
In addition, a major discovery of oil would of itself bring many millions of new capital to the country for the development of the field (or fields) and all the ancillary services connected with the refining and distribution of the product. But dreams must remain dreams until there is further evidence that oil is really in Western Australia in the quantities that the promoters and investors hope for.

But pending the announcement of further developments from Exmouth Gulf, it is interesting to survey the painstaking efforts by geologists whose work in recent years made possible the discovery of the first oil flow in Australia last December. Much of the credit for the "find" is due to Dr H. G. Raggatt, secretary of the Commonwealth Department of National Development and Mr J. M. Rayner, the chief geophysicist of the Commonwealth Bureau

of Mineral Resources, who five years ago were struck by the similarity between parts of Western Australia and certain oil bearing areas in the United States in which no sign of oil was apparent at the surface.

These men were convinced that two districts in Western Australia—the north-west area between Carnarvon and Onslow, and in the Fitzroy Basin area of the Kimberleys—were those most likely to yield oil in the Australian mainland. They were satisfied that these areas were worth examination, including the use of the geophysical techniques which had been so successfully used in the United States. The faith of the geologists and geophysicists has been amply justified by the discovery of an oil flow after only two months drilling. "Miraculous" was the official description given to the finding of oil at the first try, for even with the improved exploration methods of today, the average of successful "wildcats," that is, wells drilled in unproven areas, is only one in five.

At the other end of the Australian continent, at Roma, in Southern Queensland, the search for oil, begun half a



century ago, is continuing. Natural gas was accidentally discovered in 1900 when deepening an artesian bore and since then more than 50 test wells have been drilled. Commercial production has never been achieved despite the discovery of many traces of oil and gas. The company at present drilling at Roma, Australian Associated Oil, recently encountered oil sands, but no oil has been produced because of lack of pressure in the formation.

It is in New Guinea, not the mainland of Australia, that the experts are predicting that oil will be discovered in large quantities before very long. The search for oil in New Guinea has been proceeding since 1919 and today two major oil companies, Anglo-Iranian and Standard Vacuum, are jointly engaged in testing at Omati, in Western Papua. They are operating through two subsidiaries, Australasian Petroleum Pty., Ltd., and Island Exploration Pty., Ltd., and a fifth interest in the enterprise is held by Oil Search, Ltd., an Australian company.

These two companies have persisted in their current search since 1938 and have so far spent about £11 million. They are planning to spend another £2.5 million next year. Seven holes have been drilled to an aggregate depth of over 61,000 feet. Gas was recently encountered at the Omati test at 13,700 feet but with the jamming of a bit in

the drill pipe it has temporarily been impossible to determine its significance. In the meantime, Australian investors have been fired by the prospects of the Western Australian experience being repeated in New Guinea and have been taking the Oil Search shares from 6s. to 20s. Oil fever is new to Australia. Another favourable development anywhere on the mainland or in New Guinea would cause the Stock Exchange boom to revive with renewed frenzy.

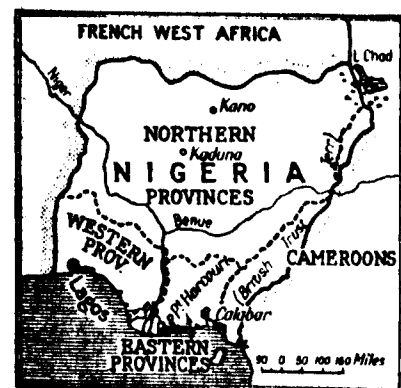
Zik's Comeback

FROM A CORRESPONDENT IN NIGERIA

THE significance of Dr Azikiwe's overwhelming victory in Nigeria's eastern regional elections can be appreciated only by recalling the circumstances that led to the dissolution of the eastern House of Assembly. When the first elections were held under the Macpherson constitution, in 1951, Dr Azikiwe stood, not for a seat in the eastern region—his own home and the birthplace of his party, the National Council for Nigeria and the Cameroons—but for one of the Lagos seats in the western region. He and other members of his party won the five Lagos seats; but only two of them could be chosen to represent the region in the central House of Representatives, and the Action Group, which won a majority in the western region as a whole, chose not to elect Dr Azikiwe. Nigeria's most prominent politician and nationalist, therefore, remained free from any responsibility for making the new constitution work.

A year ago, he staged a constitutional crisis in the East, evidently in order to pave the way for his own return to power. In the eastern region his party had secured a majority, not so sweeping as that won at the recent elections

but one that was rapidly increased by the adherence of independents. The National Council consequently formed the regional executive council, and three members of the party were sent to the central Council of Ministers in Lagos. But towards the end of 1952, after various private party meet-



ings, these central and regional Ministers were suddenly attacked by their own party, for not—it was alleged—following party policy. The Ministers themselves stood firm, but when the eastern House of Assembly refused to consider any government business its dissolution became inevitable. In the meantime, the three central Ministers, whose expulsion from the National Council had been secured by Zik, formed a new party in opposition, and it is this party—the National Independence Party—which has just been so heavily defeated at the polls. Dr Azikiwe resigned his Lagos seat to stand for election to the eastern House, and his party has won 72 out of the 97 seats. Thirteen of the 97 are allotted to the Cameroons, so that the opposition

to the National Council, consisting of the National Independence party and the United National party in alliance, have only 12 seats between them. Moreover, Mr Nwapa, one of the leaders of the breakaway party and Minister of Commerce and Industries in the central Council, was badly defeated, though Professor Ita, another leader, was returned.

The result of the election, however, represents more than the return of Zik—who may shortly be seen in the central government. At the London conference on the constitutional crisis last August, Mr Nwapa and his party were in favour of a strong central government with reduced control by the regions. Their defeat, therefore, emphasises once again how strong are the tendencies in Nigeria towards regionalism and against a unified federal state.

In a week or two this main issue of Nigeria's future will again come to the fore when the constitutional conference is reconvened in Lagos. The agreement so hardly won at the London conference last August over the principle of a federal Nigeria may be lost if a compromise cannot be reached over the Lagos award. It will be remembered that last August the northerners, who for some years had apparently acquiesced in Lagos's inclusion in the western region, suddenly demanded, largely on economic grounds, that Lagos should be the federal capital. The Action Group is convinced that this sudden change of heart was in revenge for the Lagos crowd's booing of the northern members of the House of Representatives last March when the latter succeeded in postponing the decision on self-government by 1956. It may be, however, that the northerners had become very doubtful of the good will of the western and eastern regions in a federation, and that the Lagos issue precipitated their distrust. Mr Lyttelton's decision also hastened the disruption of the alliance formed against the North by the Action Group and the National Council last March. The latter accepted Mr Lyttelton's decision that Lagos should be the federal capital, and the Action Group held this strongly against them. The alliance was formally ended towards the end of November, but long before that both parties had been attacking each other in the Press.

Agitation over Lagos

Ever since the London conference the Action Group, led by Mr Awolowo, has turned its entire party machinery on to agitating for a reversal of the Lyttelton award. Every day committees, tribal unions, town councils and societies—all supporters of the Action Group—pass unanimous resolutions that "Lagos belongs to the West." Even the Yoruba members of the National Council opposition in the Western House support the Action Group on this, against their party's directive. The issue is primarily one of powerful Yoruba nationalism against the concept of a united Nigeria. Nor is it without some economic justification.

In a balanced and well-prepared memorandum the Action Group has pointed out that the bulk of the western region's trade comes to Lagos and would largely be lost to that region if the city revenues went to the Federal Government. It stated that goods for the North can pass through Apapa docks without let or hindrance, and that Warri, Burutu, and Port Harcourt are ports which also serve the North. It further suggested that Kafanchan in the North would be a more central and more strategically safe site for the federal capital. Alternatively it suggested that Apapa, the dock area, and Okoyi, the largely European residential area near

Lagos, should be made federal territory and Lagos itself remain in the western region. The National Council, in reply, has pointed out that if the revenues of the West are badly affected, the Federal Government can always make a grant or readjust the allocation of the revenue. The Northern People's Congress in faraway Kaduna has simply stated categorically that it is not prepared to reverse any of the decisions taken at the London conference.

At the Lagos Town Council elections which took place early in November, the Area Council, a branch of the Action Group, won two-thirds of the seats, ostensibly on the slogan, "Lagos belongs to the West." But a few days later at the by-election to the Western House of Assembly, caused by Dr Azikiwe's resignation, the same electorate, with its usual whimsicality, put in a National Council candidate who was backing Lagos as the federal capital.

Disillusionment in Rumania

BY A CORRESPONDENT

A GLANCE through the Rumanian press since the announcement of the new economic policy, on August 22nd last year, shows how little has really changed. It is true that the main theme of the Rumanian press nowadays is "the Party's and the Government's care for the well-being of the working people." There is much talk of being of the working people. There is much talk of raising agricultural output and consumer goods production, and "decrees" follow "ministerial decisions" designed to improve the standard of living. Nevertheless, the old difficulties with this same "working people," which, in the last instance, decided the Kremlin to reverse the emphasis of its policy, are still there. There are complaints about the failure of several important coal mines to fulfil their targets. In light industry seasonal textiles are not being turned out in sufficient quantities or at the right time. In agriculture the autumn sowing and ploughing was, as in previous years, behind schedule and the collection plan for autumn agricultural products was not fulfilled in many districts.

Thus the "incentives" offered to the Rumanian working people within the framework of the new policy do not seem either adequate or effective. Why are the Rumanians so dissatisfied that they continue their passive resistance, in spite of the measures lately taken by the Communists to improve their lot? The main reasons do not lie in any politically organised opposition to the regime; but rather in the discriminatory nature of the recent palliatives and in the mistrust aroused by Gheorghiu-Dej's speech announcing the new policy.

Something for Everyone

To the peasant, the Rumanian Communists have offered a series of concessions including the cancellation of arrears on the last year's delivery quotas; exemptions and reductions of taxes; and the promise that more industrial goods will be directed to the countryside. To the workers, the government has granted an income tax reduction of about a quarter for salaries of 400 lei a month, and about a third for those of 1,000 lei a month; a decree to "improve the wage-system, etc.", and a promise of better fuel supplies. For everybody there was a "major" price reduction (whose

real importance is difficult to estimate as certain essential products such as white bread were more expensive in November than in August); a reduction in the cost of medicines, and X-rays provided by the supposedly "completely free health service"; and credits for the construction of individual dwellings.

These measures sound generous enough on paper, but in practice they are so arranged as to benefit only a small minority in each category. The new policy discriminates against the hitherto "neglected" independent peasant in favour of the collective farmer, although it is the farmer who produces "75 per cent of the quantity of marketable grain," as Gheorghiu-Dej admitted, and it is his confidence and co-operation the Communists want to win. Generally speaking, the benefits envisaged for collective farmers are double those proposed for the independent peasant; thus the temporary nature of the new policy and the Communists' determination to go ahead eventually with collectivisation are emphasised. Among the workers, those who benefit are first and foremost the stakhanovites and shock-workers. According to the decree on building credits "the stakhanovites, 'medalists', State Prize winners, shock-workers, inventors and innovators" are to be given priority. It is only after many more categories have been dealt with that the turn of "those who live in unhealthy dwellings" and of "large families occupying insufficient space," is reached. But even if the ordinary worker came higher on the priority list, can he, earning as he does only an average of 400 lei a month, apply for the necessary credit of 25,000 or 35,000 lei and accept an obligation to repay the whole sum at 10 per cent interest over fifteen to twenty years? If he does, he must deprive himself and his family of approximately a quarter of his inadequate salary.

Revealing Figures

At first Gheorghiu-Dej's speech of August 22nd gave the impression that things were about to change for the better. But the Rumanians were soon disillusioned when they compared the few actual figures given by the Prime Minister, which represented the new targets for 1955, with the initial 1955 targets as established in the 1950 Five Year Plan. These showed that it is the targets for light industry which have been curtailed, and not, with the exception of electricity, those of heavy industry. In oil production the original targets are even to be exceeded by one million tons. According to Gheorghiu-Dej about 1,200 million lei will be invested in the textile and footwear industries by 1955, which will double the volume of footwear previously produced. But by the same year the output, according to him, will be 10 million pairs instead of the 20,700,000 initially planned to be produced with half the investments.

An article in *Scanteia* on September 10th commenting on the decisions of the Central Committee gave an illuminating insight into the nature of the changes in Rumania. It stated that those who "ask the State to invest in the construction of even more factories are completely wrong"; and it went on to explain that "the experience of the Soviet people—the builders of Communism" . . . shows . . . "that it is possible, with the same machinery, the same quantity of raw material and the same number of workers, to obtain more products, of a better quality and at a lower price." This is called "the use of internal reserves," and it offers the key to Rumania's "new economic policy."



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THE BUSINESS WORLD

Debate on Death Duties

TO disentangle the skein of death duty law and practice in this country is as laborious and as painful as picking oakum. Yet in recent months a number of institutions have eagerly taken on the convict's task, by submitting memoranda* on estate duty anomalies to the Chancellor. This revival of interest in death duties was prompted by an announcement made by Mr Maudling in the closing stages of the debate on the 1953 Finance Act. He then told the Commons that the Chancellor had "started a review of the death duties and of these anomalies that are arising, and particularly of the anomalies that are said to arise in the case of Section 55."

Section 55 and other sections of the 1940 Finance Act (passed without much debate at the time of Dunkirk) are loosely worded but rigorously applied provisions designed to prevent an owner from escaping the full levy of death duties by transferring his assets to a private company over which he retains control. It is true that his shares in that company would be added to his estate in assessing death duties but, without special provisions, the value set on these shares would usually be lower than the actual value of the assets they represent. The primary object of these provisions was to prevent evasion. Legislation that unplugged these loopholes again could hardly be justified without far stronger evidence than the industrial and professional bodies have been able to produce. Their evidence and recommendations have been submitted to an informal committee of Treasury officials (in con-

sultation no doubt with their colleagues in the Inland Revenue) appointed by the Chancellor to examine the anomalies in the law. It may be doubted whether the Chancellor or the Economic Secretary foresaw that the occasion would be so joyously taken up by industrialists and accountants. They have laid down a barrage of memoranda aimed not merely at the difficult technical anomalies but also at the whole structure and level of death duties.

But if the critics have taken a generous view of their briefs, they have also thrown into sharp relief the difference in the incidence of death duties on a shareholder in a public company and one in a private company (whether he controls that company or not). The distinction is vital. The method of valuing quoted shares is simple and definite; the Stock Exchange list is the authority. But shares in a private company can be valued only after a pull-devil-pull-baker argument between the Estate Duty Office and the executors of the estate. Moreover, when an owner of quoted shares dies, his executors may have to sell his shares but they will not normally affect the company by so doing; its assets remain intact. If a shareholder in a private company dies the business may lose not only his managerial services but also may be forced to accept the intrusion of an outside interest, possibly destroying the family's control.

The critics have centred their attack on this point. They have argued that the threat as well as the imposition of death duties stunts the growth of family businesses in this country. Unfortunately, there are few, if any, statistics on the role that the family business plays in the British economy; and, to illustrate the effect that death duties can have upon their growth, those bodies submitting evidence have had to rely upon the random

*They include, amongst others, memoranda from the Federation of British Industries, the National Union of Manufacturers, the Engineering Industries Association, the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Scotland, the Institute of Directors and the Institute of Taxation.

evidence of case histories submitted by their members. At a guess there are about 50,000 completely independent director controlled limited companies owning, perhaps, about one twelfth of all issued shares. But the importance of the family businesses threatened by the death duty axe should not be measured by their size but by the fact that they remain the source of recruitment for the great industrial enterprises of the future.

Official statistics on the effect that death duties may have upon such small businesses are not entirely lacking. A report on Estate Duty and Family Businesses published in July, 1951 (Cmd. 8295), suggested that only in about one case in a hundred were "non-trade" assets "insufficient" to pay the whole of death duties incurred. This conclusion has been severely mauled by the critics, who have argued that executors, when they come to pay death duties, can hardly be expected to sell off all personal assets before they begin to realise some trading assets. The critics suggest that it would be fairer to say that at least one quarter of the businesses with assets worth more than £10,000 would have their activities affected by death duty payments. And it is certain that the exhaustion of liquid assets (or the need to secure a loan) to pay death duties would alone be sufficient to retard the activities of such a business. And obviously, prudence may impel a family (with few assets outside the business) to hold in liquid form resources that might otherwise have been employed in the business or to secure these funds from such finance companies as "Edith."

Payment of death duties would present plenty of problems even if the sum to be paid were determinate. But this is not so. The over-riding principle governing the valuation of shares in a private company for death duty purposes is that they should be valued at the price they would fetch in an open market (which is hardly likely to exist) from a willing buyer (who is hardly likely to be there) at the time of the death of their owner. In arriving at this value the courts have effectively ruled that attention should be paid to the limited market that the shares may command; but it is specifically provided that no reduction in the valuation should be made on the assumption that all the property has to be placed on the market at the same time.

Without the test of the market place the value put on unquoted shares is little more than a guess based on hypothetical considerations. It usually turns out to be a compromise price reached after months of haggling between the Estate Duty Office and the executors. Normally in fixing the value of unquoted shares owned by a minority shareholder the Estate Duty Office, having taken note of any previous valuations or prices fetched in an actual sale, will base its valuation upon yield considerations. If the estate is large rather more attention will be given to asset values. If, in this atmosphere of the Oriental bazaar, the Estate Duty Office and the executors fail to agree, appeals can be made only to the High Court. Few executors have the courage, or the patience, or the money to take cases to

appeals. But, as a recent case—the first for more than 15 years—showed, an uncompromising attitude of the Estate Duty Office can on occasion drive the executors in despair to the courts. The facts of this case, *In Re Holt, deceased*, would appeal to an Arab trader. While the executors revised their valuation of the shares from 11s. 3d. to 17s. 2d. each, the Estate Duty Office cut its first estimate of 84s. 2d. to 34s. and then to 25s. Finally, Mr Justice Danckwerts valued them at 19s. each.

This case was seized upon by the critics of the Estate Duty Office as clear evidence that an independent tribunal should be set up, to which appeals on the valuation of unquoted shares could be made, leaving the courts to settle points of law. This suggestion is not new. It was made before the Evershed Committee on Supreme Court Practice and Procedure. In reluctantly rejecting the proposal, the Committee remarked:

Fears were expressed that, with the establishment of the new body, the Estate Duty Office might become generally uncompromising in its attitude so that in the great majority of disputes the subject would feel compelled to go to the tribunal, whereas, in some of them, negotiation as at present would suffice.

In answer to these fears, it has been pointed out that income tax inspectors are not usually more adamant because appeals against their findings can be made to the General or Special Commissioners.

The proposal that an appeal tribunal should be set up has been backed by suggestions that probate on personal estate should be granted on the payment of a deposit (say, 25 per cent) of the duty on personal assets. In turn, this has been linked with the more far-reaching proposal that the proceeds arising from assets realised within one year of death should be substituted for probate values (as at the time of death) and the duty adjusted accordingly. There is no doubt that executors may have great difficulty—and may even face personal loss—in settling an estate while Stock Exchange prices are falling sharply. But this proposal, which would apply to quoted and unquoted shares alike, could cut as deeply at the heart of estate duty practice as another suggestion that the present system of charging estate duty at the highest rate (after allowing for "marginal relief") over the whole of the estate, should be replaced by a sliding scale of duties charged on each slice of the estate, analogous to surtax assessments.

The critics are, perhaps, on firmer ground when they turn their attention to the 1940 Finance Act. Family businesses almost invariably fall under the shadow of the provisions of this Act. Most of them are private companies, under the "control" of not more than five persons. Section 46 applies specifically to such a company. It provides that if at any time one of the shareholders has transferred property to the company and if he has received any "benefits" from the company at any time within five years of his death, then when he dies part of the net assets of the company (based on a formula relating these "benefits" to the company's net

income) are deemed to be part of his estate. And the company itself is liable for the duty on this part of the estate. While admitting that this provision has been so effective in preventing avoidance of death duty liabilities that it has seldom been applied, the critics urge that it can seriously disrupt or prevent a *bona fide* reorganisation of a company. They suggest that the law should be amended so that this provision will be applied only when there has been a deliberate attempt to evade death duty payments, or that the Estate Duty Office, if informed of a reorganisation of a company's structure, should use its discretion in operating this clause.

Section 55 has also been under heavy fire. It has the effect of allowing the Estate Duty Office to value the interests of "controlling" shareholders in companies under the control of not more than five members as if they were personally owned assets and not share investments. These interests must be valued on the basis of the slice they represent in the company's assets (including goodwill), and not on the basis of their yield as investments. The first criticism aimed at this section is that the term "controlling shareholder" is too widely defined. Control is deemed to have been exercised if at any time within five years of his death the deceased shareholder had voting control, or if he had the right to receive a half or more of the debenture interest payable and dividends declared by the company, or if he owned (or had the option to own) one half or more of the com-

Diesels on the Road - II

Diesel Engines for the Motorist?

IN Britain, as a previous article showed, the majority of heavy goods vehicles now being built are equipped with diesel engines. In medium-sized lorries, of between three and four tons unladen weight, petrol engines have still a slight lead. But below the three-ton limit, in this country, the diesel engine has as yet made little impression. On the Continent, however, three motor car manufacturers now have diesel-engined cars in series production—the Mercedes 170 S-D, the Hansa Borgward 1800 c.c., and the Fiat 1900 c.c. Compared with petrol-engined cars, these cars offer a saving in fuel of more than a third, at the cost of a higher initial price, greater weight, a lower maximum speed and much more sluggish acceleration. Though it is believed that Standard may soon offer a diesel engine as an alternative in a passenger vehicle—perhaps its estate car?—most British motor manufacturers are still cautious about the chances of the diesel, even in commercial vans.

In British goods vehicles of less than three tons weight, the battle is not by any means one-sided. Reference was made in the earlier article to the very economical Bedford truck with a petrol engine of 110 bhp and a total unladen weight of less than three tons (thus bringing it within the limit for which a road

speed of 30 mph is allowed) and to the new Ford "Cost-Cutter" engine. In connection with the latter, interesting figures have recently been published by *The Commercial Motor* of tests with a lorry, comparing the classic Ford V.8 engine, now superseded, the new "Cost-Cutter," and the Perkins P.4 diesel, which can also be fitted. The 4-cylinder "Cost-Cutter" gives 45.3 ton-miles per gallon, against 23.2 for the V.8, with performance a shade better and lower maintenance costs. By comparison with the Perkins diesel, on a test run with one stop per mile, the "Cost-Cutter" gave 12.9 mpg, against 19.65 with the Perkins diesel. But the "Cost-Cutter" gave significantly better performance—reaching 30 mph from rest in 21.9 sec., against 29.6 sec. for the diesel; and the petrol engine was 2½ cwt. lighter, so that, for the same all-up weight, the pay load would be almost 5 per cent higher.

Where the memoranda have been confined to a review of the anomalies in the law on death duties, most of the criticisms and recommendations have some substance in them. Most of them are worth careful consideration by the Chancellor and his advisers. But this informal committee of inquiry cannot be expected—and almost certainly will not attempt—to deliver judgment on proposals that could rend the whole fabric of death duty practice. If death duties are high and sometimes arbitrary, that does not carry such grave economic effects as excessive and inequitable taxation on incomes.

In the struggle for fuel economy, the Americans (who have less cause for interest in the diesel engine, because of the much lower level of fuel prices in the USA) continue to make remarkable advances with the petrol engine, and are achieving results with large passenger cars that are well ahead of those of similar vehicles in Europe. There is a general tendency to use

hemispherical combustion chambers and high compression ratios, both of which give greater thermal efficiency and thus both higher power and lower fuel consumption per horse power hour. A fleet of Cadillac cars driven in and around Detroit on continuous test to an exacting time-schedule is reported to be recording over 23 mpg; and Mr. Zeder of Chrysler has reported results of a test engine, operating at a compression ratio of 12.6 to 1 and recording 0.355 lb of fuel per bhp-hour, which, as he argues, "makes any diesel with which we are acquainted seem a veritable glutton for fuel."

★

The economic case for a diesel-engined car in Continental markets is stronger than in this country. Petrol there is often even more expensive than in this country, and diesel fuel is often substantially cheaper than petrol. The Mercedes diesel is an alternative to the petrol engined 170 S-V., and comparison of the two is illuminating. Both engines have a capacity of 1,767 cc; the petrol engine develops 45 bhp at 3,600 rpm, the diesel 40 bhp at 3,200 rpm. The top gear ratio is the same for both (4.125 to 1); the diesel car is quoted as 1 cwt heavier than the petrol version. For the petrol version, a maximum speed of 72 mph is claimed, with a cruising speed of 68 mph; for the diesel, the maximum speed is 62 mph, which is also quoted as the cruising speed. Fuel consumption of 30 mpg at a speed of 43 mph for the petrol version compares with 46 mpg of diesel fuel at 37 mph—a comparison less favourable to the diesel than one would have expected. The difference in acceleration and hill climbing ability between the two models is more pronounced than the difference in maximum speeds. The difference in retail price between the two models is 1,000-DM (say £90) or 12 per cent. The Borgward diesel saloon is powered by an engine of similar size and output to the Mercedes, and no doubt gives similar performance. The Fiat 1,900 cc diesel saloon has a rather larger engine, though the power claimed is no greater (40 bhp at 3,200 rpm); but the considerably higher maximum speed of 75 mph is quoted for it, plus a fuel consumption of 40 mpg. To British tastes, this would seem to be a rather more acceptable compromise than the two German cars offer.

What developments can be expected? In order to better the position of the diesel engine in competition with the petrol engine, savings in weight and cost are obviously needed, even at the sacrifice of some of the fuel economy. A substantial saving in cost could of course be expected if diesel engines came into production in quantities of the same order as petrol engines. The fuel injection equipment, in particular, has not yet been subject to the development of mass production technique, which could certainly yield major savings. Thus, for example, the retail price of a new fuel pump for a Fordson diesel tractor is about £50, while the whole tractor sells for about £500. But in the meantime, reductions in cost are likely to be dependent upon such reductions as can be achieved in total weight.

There are three sources from which reductions in weight may be forthcoming: first, from an increase in engine speeds, so that greater output can be obtained from a given size and weight of engine; secondly, by the adoption of air-cooling instead of water cooling; and thirdly from a range of detailed developments, in particular the more selective use of materials, and the utmost reduction of weight of each individual part.

In both the first two fields, German practice seems to be ahead of that in any other country. During the war, the Germans had the most compelling of reasons to seek the maximum of fuel economy; and the range of conditions to be dealt with, from the deep freeze of the Russian campaign to the heat of tropical Africa, gave advantage to the use of air that "neither boils nor freezes." One firm in particular, Kloeckner-Humboldt-Deutz A.G., has built over 65,000 air-cooled diesel engines in 1, 2, 3, 4, 6 and 8 cylinder types carrying on development initiated during the war, but it has not yet developed higher engine speeds to the same extent as other firms. The Deutz engines have speeds of up to 2,250 rpm, while speeds approaching 3,500 rpm are being used in air-cooled and water-cooled engines that are being developed, and the three motor car engines mentioned all exceed 3,000 rpm.

TRACTORS MANUFACTURED IN BRITAIN
(Monthly averages)

	1951 (12 months)	January to August, 1952	September, 1952 to September, 1953
Home deliveries:—			
Total	2,454	2,671	2,774
Diesel-engined	249	622	1,964
Per cent diesel	10.1	23.3	70.8
Export deliveries:—			
Total	8,995	7,922	6,422
Diesel-engined	1,496	1,539	2,284
Per cent diesel	16.6	19.4	35.5
Total, all tractors	11,449	10,574	9,202
Total diesel-engined	1,745	2,156	4,325
Per cent diesel	15.2	20.4	46.9

A parallel method of improving the power-weight ratio by increasing the number of power strokes per minute is to use the two-stroke cycle instead of the four-stroke cycle. This involves the use of a blower or supercharger to drive air under pressure into the cylinder and push out the exhaust gases, so that the single up-stroke of piston can accomplish that which in a four-stroke engine is performed by the upward exhaust stroke, the downward suction stroke and the upward compression stroke. The most notable two-stroke Diesel engine in British road vehicles is the super-charged Foden engine, of which there are both 4 and 6-cylinder versions developing about 85 bhp and 130 bhp respectively at a speed of 2,000 rpm, with a weight of about 9 lbs per bhp. A new diesel has been designed for automobile use by Professor List of Graz, using a supercharged

two-stroke cycle in a water-cooled engine offered in 2 cylinder, 3, 4 and 6 cylinder form, developing 18-20 bhp per cylinder, and with a top speed of 3,150 rpm. In the two-cylinder form, developing 36 bhp, its weight is 9½ lb. per bhp; in the six-cylinder form, giving 120 bhp, the weight is said to be no more than 6 lb. per bhp. The fuel consumption shows figures rather above the average for a diesel engine, being in most conditions just above 0.5 lb. per horse power hour. The Turner Manufacturing Company of Wolverhampton, which makes a diesel agricultural tractor, has taken a licence and is preparing to put these engines into production.

The figures achieved by the List engine suggest that for a medium-weight passenger car, using a three-cylinder engine (which in two-stroke form would compare for balance with a 6-cylinder four-stroke) it should be technically possible to achieve a road performance closer to that offered by petrol-engined cars than the three passenger cars already in production now achieve. With air cooling, a closer approximation still should be possible, at the expense of more noise—for the water jacketing of the cylinders is an excellent sound-damper. This might be offset to some extent by the use of sound-absorbing materials (not to be confused with anti-drumming, or sound-averting materials), of which the automobile industry has hitherto made very little use. There would remain the question of cost. If production

quantities were substantial, the low weights claimed for the first engine should offer costs similar to the production costs of a petrol engine, except for the fuel equipment.

The figures set out in the table, showing the production of diesel and other tractors in the UK, may point an interesting moral. After September, 1952, onwards, there was a really dramatic change in the position of the diesel engine compared to its competitors—a change which must presumably be attributed to the advent of the new Fordson tractor offered alternatively in petrol, diesel, and vaporising oil form, the diesel version being now priced at only £55, or 25 per cent more than the other two versions. The figures even suggest that the advent of the tractor may have positively stimulated and expanded a market that was flagging and showing some signs of saturation. The gain has mostly been at the expense of vaporising oil tractors, rather than the petrol version; and the tractor, with its long hours of utilisation at loads which for considerable periods will be near its peak output, is a peculiarly apt subject for diesel power. Nevertheless, it is conceivable that the advent of a diesel-engined car at a price and with a performance reasonably comparable with that of a petrol-engined car closer than is generally thought, and the degree of success it could achieve, if the comparison were close enough, might be dramatic.

Business Notes

Higher Bank Dividends

INCREASES in dividends by two more of the clearing banks have given the bank share market its most exciting week for a long time. The situation there has, indeed, been even more piquant than that created twelve months ago, when the National Provincial Bank first broke away from the pattern of long stabilised rates, by raising its final dividend by 1 per cent and thus paying 16 per cent for the year 1952 instead of the customary 15 per cent. The hopes then raised for the 1954 dividend season were heightened still further last October when Barclays, the only clearing bank that had not reduced its dividend during the 1931 crisis, launched its capital reorganisation and simultaneously announced a 2 per cent increase, to 16 per cent, for the full year 1953. Then, at the end of last week, Martins Bank opened the season with a still larger increase, from 15 to 17½ per cent, and to a level above that ruling before 1931 (when the payment was reduced from 16 to 14 per cent). Thereupon the market optimists

pitched their hopes still higher, on the argument that even the pre-1931 levels need no longer be regarded as a probable halting point; and shares prices moved up correspondingly.

The District Bank's announcement on Tuesday lent some colour to this view, since the dividend was raised from 18½ to 20 per cent; this bank, alone among the clearing banks that reduced their payments in 1930-1932, had restored its 1929 rate (of 18½ per cent) by the eve of the war. But this cheering news could not disperse the shock to market optimism that came from the Westminster Bank, which elected to maintain its dividend at the customary 18 per cent (it was 20 per cent in 1929). And on Wednesday evening there was even some further—though surely irrational—disappointment at the National Provincial's decision "merely" to maintain its half-year's payment at the increased level (making 17 per cent for the year, compared with 16 per cent in 1952, 15 per cent in 1932-51, and 18 per cent in 1929). The record to date, as the accompanying table shows, is that four of the "Big Seven" banks have raised their dividends, one has made no change, and two—the Midland and Lloyds—will be disclosing their decisions just after this issue of *The Economist* goes to press.

Full comment upon the banks' earnings experience is therefore best deferred until next week. But it should be remarked forthwith that it is well that one at least of the banks should be out of step with its fellows—however painful that may be to shareholders of the Westminster Bank whose dividend, highest though it is among the Big Five, has been equally eroded by the fall in the value of money over the years. Nothing could be more harmful to British banking than for the banks to act strictly in concert in matters of dividends; and even the appearance of concerted action would be damaging. Though the circumstances that

BANK PROFITS, 1951-53*

	1951	1952	1953	Change in 1953
Barclays.....	1,908,437 11	2,137,722 14	2,300,150 16	+ 7.6
Nat. Provincial..	1,469,765 15	1,525,013 16	1,765,768 17	+ 15.8
Westminster....	1,405,453 18	1,446,546 18	1,474,736 18	+ 2.0
Martins.....	725,107 15	746,509 15	819,921 17½	+ 9.9
District.....	508,217 18½	515,672 18½	559,744 20	+ 8.6

* Figures in italics are percentage rates of dividend.

surround the big banks must be broadly similar, different managements will view them differently, and upon each alone is the responsibility for decision. Force of example and the pressure from shareholders on grounds of "equity"—measured by the experience of other shareholders—are not in themselves sufficient arguments for uniformity of policy in this matter. But, if it would be wrong for bank directors to be guided by these specious precepts, it would be equally wrong for them to subordinate their duty to shareholders, as proprietors of the business, to some imagined duty to look to wider considerations such as political expediency.

£7 million for Dunlop

THE first big industrial financing scheme of the year comes from the Dunlop Rubber Company which is to raise £7 million by a preference share issue. Occasion has also been taken to streamline and expand the whole capital

structure. The scheme analysed below is open to only one important objection. The directors have given only the vaguest of indications of the purposes of the £7 million issue. The money is being raised because of the continued development "of the business in existing products and in entirely new products." The chairman will presumably have more to say about these developments both at the class meetings on January 29th and in the prospectus itself, but shareholders who cannot attend the meeting will have to lodge their proxies without knowing what is intended.

It may at least be inferred that Dunlop is not at present going to launch out into the synthetic field on a large scale; the new issue is not big enough. The present pilot plant, using purchased styrene and butadiene may, however, require further investment; the group has done extensive research over part of the field of plastics, and some of its existing natural rubber factories, including the foam rubber side, may need capital.

Capital Reorganisation

THE Dunlop Rubber Company's present capital structure is an unhappy legacy of the 1920's. The plan for revising it are necessarily complex in detail, and formidable in legal niceties, but they are simple in conception and admirable in purpose. The three ranks of preference shares, all with high dividend rates, are to be converted and consolidated at a lower rate of interest into one class of preference capital. Secondly, the disparity between the company's issued capital and the real capital employed in the business is to be corrected by a free issue of ordinary shares which in effect writes up the clumsy 6s. 8d. shares into 10s. units by a 50 per cent scrip bonus.

The conversion of the "A," "B," and "C" cumulative preference shares (which rank in that order) into the single class of 5½ per cent £1 cumulative preference shares is made possible by the capitalisation of £2,875,000 from reserves. The ratios in which the shares are to be converted are set out in detail in the table at the bottom of this page. These ratios have been calculated so as to ensure that preference shareholders will receive a higher gross income than before. As compensation for their loss of priority the first and second ranking shareholders gain more than the "C" shareholders. The alteration in their voting rights gives them a higher proportion of votes than before, but the equity vote (even if the preference dividend were in arrears) would remain predominant. The new preference capital is repayable on liquidation at 22s. a share or the average market price over six months, whichever is the

DUNLOP'S CAPITAL STRUCTURE

Present capital structure			Proposed revision	New capital structure			Present gross income per 1,000 shares	New gross income per 1,000 shares
Denomination	Issued capital	Votes per share		Denomination	Issued capital	Votes per share		
6½% 'A' £1 cum. pref.	1,000,000	1 for 2	Converted in ratio of 11 shares for 8	5½% £1 pref.	1,375,000	1 for 2	65	72½
7% 'B' £1 cum. pref.	1,000,000	1 for 2		5½% £1 pref.	1,400,000	1 for 2	70	77
10% 'C' 16s. cum. pref.	2,400,000	1 for 4		5½% £1 pref.	4,500,000	1 for 2	80	82½
6s. 8d. ordinary.....	12,853,969	1 for 1	By cash issue.....	5½% £1 pref.	7,000,000	1 for 2	...	...
			By bonus issue.....	10s. ordinary	19,280,954	1 for 1	...	...

higher, compared with the existing rates of repayment of par on the "A" and "B" shares and £1 on the "C" 16s. shares. Once the scheme has been approved, the company intends to make the £7 million issue for cash in the new preference shares. The terms of the issue have yet to be decided but, if the stock markets retain their buoyancy, this issue should command full subscription lists even if the price was pitched at a small premium.

The bonus issue is hardly a sweetener for ordinary shareholders. Although the nominal capital is written up into 10s. units the company is careful to point out that this does not necessarily imply any increase in the amount to be distributed in dividends. Shareholders will note with satisfaction the hint which the board gives that reserves will again be increased in respect of 1953. They will also see that though the conversion scheme adds a large amount to the nominal preference capital it will add only £25,125 to gross annual preference dividend payments. When the whole scheme is carried through the company will have in issue £14,275,000 in preference shares and £19,280,954 in ordinary shares, leaving £6,444,046 in unclassified shares available for a further issue. Issued preference capital must not exceed 75 per cent of the paid up equity capital or 50 per cent of the equity capital and reserves, whichever is the lower. This limit will almost be reached when the new cash issue is made, so that, without another alteration in the company's articles, or a big addition to reserves, the next capital issue by Dunlop would have to be in equity shares.

Red Gold to the Rescue

THE gold and dollar reserves of the sterling area have taken the impact of the end of year payments on the United States and Canadian lines of credit and the ERP loan much more successfully than could have been anticipated before the recent flow of Russian gold to Britain set in. Despite the debt service charge of \$181 million, the reserves declined by only \$43 million during December, and stood at \$2,518 million at the end of the year—an increase of \$672 million on December 31, 1952. The improvement slackened off markedly in the second half of the year—until the Red gold began to arrive. It is estimated that total receipts of Russian gold in November and December have been around \$70 million—of which some \$15 million had already gone into the reserve in November. As defence aid totalled \$20 million in December and receipts in respect of the November surplus with the European Payments Union were \$4 million, the "true" dollar surplus with North America and other areas can be put at about \$60 million. This is the high season for sales of sterling commodities, and prices have been holding firm. Nevertheless, the dollar surplus is still surprisingly high for a month in which American industrial production was almost certainly still falling.

This sparkling picture is slightly marred by the deficit of £3.1 million incurred by the sterling area with the European Payments Union in December; but this deficit, which will involve a gold payment of nearly \$4½ million in the middle of the month, was almost wholly accounted for by

the interest payment in December on the United Kingdom debit balance with the Union. This is, however, the season in which the sterling area should be running a surplus with Europe on commercial account, not merely striking a

TREND OF DOLLAR SURPLUS
(\$ million)

	Gold payments (—) or receipts (+)			American aid	Change in reserves	Reserves at end of period
	EPU settlements†	Purchase of "arbitrage" commodities	Residual gold and dollar balance			
Dec., 1952....	+ 80	— 40	+ 61	+ 31	— 49*	1,846*
Jan., 1953....	+ 58	...	+ 30	+ 44	+ 132	1,978
Feb., 1953....	+ 18	...	+ 74	+ 33	+ 125	2,103
Mar., 1953....	+ 19	...	+ 15	+ 29	+ 63	2,166
April, 1953....	+ 11	...	+ 76	+ 20	+ 107	2,273
May, 1953....	+ 21	...	+ 14	+ 13	+ 48	2,321
June, 1953....	+ 10	...	+ 8	+ 28	+ 46	2,367
July, 1953....	+ 2	...	+ 51	+ 36	+ 89	2,456
Aug., 1953....	— 6	...	Nil	+ 19	+ 13	2,469
Sept., 1953....	— 15	...	+ 4	+ 28	+ 17	2,486
Oct., 1953....	+ 6	...	+ 15	+ 13	+ 34	2,520
Nov., 1953....	— 15	...	+ 32	+ 24	+ 41	2,561
Dec., 1953....	+ 4	...	+ 114	+ 20	— 43*	2,518*
Total, 1953....	+ 113	...	+ 433	+ 307	+ 672*	2,518*

* 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.

balance. There are signs that the relaxation of import restrictions in Australia has already worsened the trade balance with Europe considerably; but the full effects of Britain's liberalisation at the end of October have still to be felt.

The Cost of Rail Peace

THE increase in railwaymen's wages—or as much of it as is yet known—has been enough to tip over an accumulation of other increases in railway costs into the expected application for higher freight charges. The Transport Commission has asked for an increase of 10 per cent in railway, dock, and canal freight charges from February 1st (subject to a limit of 10s a ton on certain expensive forms of rail traffic). This should bring in about £23 million a year from the railways, £1 million from the docks, and £2 million from canal charges. The Minister of Transport has referred the application to the Transport Tribunal.

The Commission's arithmetic is fairly clear. Increases in the prices of coal and steel last year cost it between £4 and £5 million annually, while the fall in the price of steel scrap cost another £2 million. Depreciation and interest charges are both rising—each, perhaps, by £1 million a year—because the new equipment that is slowly being brought into use costs more, efficiency apart, than the equipment it replaces. The Commission is also increasing the maintenance charges that it charges to revenue. The 4s a

And the Deficit

THE present deficit on the above-line account is £545.7 million (£20½ million worse than last year), which compares with the estimated budget surplus of £109 million (£21 million better than last year). But, for the reasons noted, this is not too depressing a comparison, especially when it is borne in mind that the capital items in ordinary expenditure—notably the expected running down of stocks

EXCHEQUER, OUTTURN AND ESTIMATES (£ million)

	Nine months to Dec. 31, 1953		Estimates for full year 1953-54	
	Actual	Change on 1952-53*	Budget estimate	Expected change on 1952-53*
Inland Revenue				
Income Tax	643.8	- 12.1	1,782.0	+ 46.0
Sur-tax	50.0	- 1.0	127.0	- 4.2
Death Duties	121.8	+ 10.7	160.0	+ 8.2
Stamps	41.6	+ 4.4	52.0	+ 1.8
Profits Tax and Excess Profits Tax	144.8	- 150.3	214.0	- 162.1
Excess Profits Levy ..	48.1	+ 48.0	99.5	+ 96.6
Special contribution & other Inland Rev. Duties	0.8	- 0.5	1.0	- 1.0
Total Inland Revenue	1,050.8	- 101.0	2,435.7	- 14.9
Customs and Excise				
Customs	797.7	+ 23.5	1,044.3	+ 19.8
Excise	548.8	- 0.3	680.5	- 58.6
Total Customs and Ex- cise	1,346.4	+ 23.2	1,724.8	- 38.8
Motor Vehicle Duties ..	18.5	+ 2.3	69.0	+ 1.3
P.O. (net receipts) ...	...	...	2.7	+ 2.7
Broadcast Receiving Licences	10.9	+ 1.3	16.0	+ 1.2
Receipts from Sundry Loans	20.3	+ 0.3	25.0	+ 0.3
Miscellaneous Receipts	95.6	+ 4.5	95.0	- 22.4
Total Ord. Revenue..	2,542.5	- 69.5	4,368.1	- 70.6
Total Ord. Expenditure (Incl. Sinking Fund)	3,088.2	- 48.9	4,259.3	- 91.3
"Above-line" Sur- plus or Deficit	- 545.7	- 20.6	+ 108.8	+ 20.7
Net "below-line" ex- penditure	283.1	- 143.3	549.0	+ 25.0
Overall Deficit	828.8	- 122.7	- 440.0	+ 4.0

* Increased revenue, expenditure or surplus shown *plus*, decreased revenue, expenditure or deficit shown *minus*.

—have not given the relief for which the Chancellor budgeted. On the other hand, the capital items below-line have given very large relief. Net below-line expenditure, which in the full year was expected to rise by £25 million, has in the nine months dropped by no less than £143 million, chiefly in consequence of a steep decline in the borrowings of local authorities. Obviously these authorities are turning to outside finance on a much more substantial scale than had been expected. The upshot, on the Exchequer account as a whole, is that the total deficit for the nine months is £122 million less than in 1952-53, whereas the budget provided for an increase in the total deficit by £4 million.

The Changing Motor Industry

THE resignation of Sir John Black from his post as chairman and managing director of the Standard Motor Company comes at a time when the industry could least dispense with his services. Sir John belongs to the generation of production engineers who took over control of the industry from the motoring pioneers who founded it, and who brought the manufacture of cars to a high pitch of efficiency where production methods and organisation had become as important as the car itself. They have been responsible for the developments that have raised the output of passenger cars from 341,000 a year in 1938 to 580,000 last year and the indications are that production in 1954 might reach 700,000.

A sharp expansion of output followed the freeing of the industry's materials from control early last year, and the rising trend of production is bringing it face to face with the problem of finding markets for the large number of vehicles that it has been geared to produce. The export markets last year took roughly 296,000 cars; the home market, previously the dumping ground for vehicles that could not find a sale abroad, is today discriminating and competitive. There is a marked tendency in the industry towards concentration into a handful of major groups, which differs from the amalgamations of the thirties in that it is generally directed towards gaining a greater degree of control over sub-contractors, with the object of eliminating those suppliers' margins and of building up rates of output high enough to meet competition abroad. The purchase of two independent body builders, Briggs, and Fisher and Ludlow, by Ford and by the British Motor Corporation respectively, are leading examples of this trend. But the slow and painful process of the Austin and Nuffield groups towards integration shows that this cannot be done with the stroke of a pen and managerial skill may well be the deciding factor in any single company's future performance. The Standard Motor Company's part in this new trend has not yet become clear. The company still relies heavily on outside suppliers, but it has the compensating advantage, rare in the motor industry, of long-term contracts with major customers like Harry Ferguson.

Lucky Dip in Purchase Tax

THE reductions in purchase tax made this week are bound to divert speculation about the Chancellor's budget plans from its normal channels. A few weeks ago, retailers' representatives approached him with the suggestion that their losses on tax-paid stocks would be lessened if changes in purchase tax were in future to be announced in January, when retail stocks touch bottom, and not in April when the shops normally expect to be full of spring and summer goods. But the changes announced this week seem to have little, if any, bearing on that problem. What Mr Butler has done is to give concessions in addition to those granted in his 1953 budget (when all tax rates were cut by a quarter from 100, 66½ and 33½ per cent to 75, 50 and 25 per cent, respectively) to one or two highly taxed and

hard-pressed luxury industries, along with the retrograde and inexplicable step of extending tax to certain goods that have till now been tax free.

He has reduced the rate of tax on craft industries such as jewellery and precious metal, pottery and glass, prints and engravings by one-third, from 75 to 50 per cent. Since art knows no frontiers, the concession works equally to the advantage of trades making objects of dubious æsthetic worth like plaster ornaments and gipsy hoop earrings. The Chancellor has also taken the opportunity to do some re-shuffling of individual articles from one tax bracket to another. Electric space and water heaters, previously taxed at penal rates to curb excessive power consumption at peak hours, will in future attract the same rate of tax as other gas and electric equipment, namely 50 and not 75 per cent; so will mirrors, garden ornaments, walking sticks and fancy umbrellas. Umbrella parts, which for some unexplained reason have until now attracted tax at the rate of 75 per cent, become tax free. The rate of tax on fabric lampshades is halved, from 50 to 25 per cent. So is the tax on washing machines that are heated, but not operated, by gas or electricity (those with gas or electric driven motors continue to attract tax at the rate of 50 per cent).

The Cost of the Concessions

THESE reductions are not expected to cost the Treasury more than £2 million in revenue in a full year, though very little in 1953-54. In 1951-52 (the publication of more recent returns has been delayed) purchase tax as a whole yielded nearly £340 million, only £46 million of which was contributed by goods attracting tax at the rate of 100 per cent. The sweeping concessions made in the 1953 budget were expected to cost the Exchequer £60 million in a full year; revenue from goods in the top tax bracket may since have been bringing in tax at the rate of about £35 million a year. The 1951-52 returns demonstrate, however, that most of the revenue in this class comes from goods not covered by this week's concessions—furs, cosmetics and toilet preparations, calendars and postcards reproducing pictures less than 100 years old and greetings cards printed in three or more colours. These are the only items that still attract tax at the rate of 75 per cent (furs get a minute concession from the "D" allowance for clothing). Separate returns cannot be identified for every group, but in 1951-52 toilet preparations brought in £28 million of the £46 million yielded by the 100 per cent tax, compared with little more than £11 million from jewellery and fancy goods together.

In reaching an estimate of £2 million for the probable

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cost of the changes, the Treasury will of course have taken into account the extra revenue that will come in from the new tax of 25 per cent imposed on floor coverings such as tiles and wood blocks, which have until now been tax free. These coverings have been enjoying a tiny vogue, and to tax them at this late stage seems inexcusable.

Another Fight for Control

A NEW round in the struggle for control of Trinidad Petroleum Development Company is to begin next week. It will be fought out not with the accepted (or at least familiar) weapons of bid and counter-bid, but in legal argument before a Canadian court. The company is a successful, and therefore presumably well-managed, oil producer within the Commonwealth, but by the luck of history it is 50 per cent owned by British Controlled Oilfields, a far from successful company registered in Canada; the other 50 per cent of the ordinary (in addition to a large non-voting preference issue) is widely spread among investors in this country including institutional investors. The time seems to have come when British Controlled Oilfields ought to prepare to die. After a very chequered career, it has no important asset other than its investment in Trinidad Petroleum Development which is worth at present prices about £2½ million and might realise more as a single bloc owing to the control element. The latest balance sheet shows the whole of the ordinary capital and part of the preference capital of British Controlled Oilfields to have been lost. The logical proceeding is to liquidate, to sell the interest in Trinidad Petroleum Development to the highest bidder, to pay off the outstanding loan stock and to distribute the residue to the preference shareholders who might thus receive about 14s per \$5 share compared with a present market price of 9s 3d.

That is doubtless why a second petition has been made to the Canadian courts for winding up BCO. It is to be heard next week. The first petition sponsored by Henry Ansbacher, the merchant bankers, was made last July but subsequently adjourned. It was adjourned after a surprising agreement was reached between Messrs Ansbacher, representing an undisclosed number of preference shares, and the voting trustees of the ordinary shares, whereby BCO, instead of being wound up, was to be reconstructed with a single class of capital, of which the present ordinary was to have 10 per cent and the preference the remainder. It was also part of the bargain that Messrs Ansbacher should nominate members to the BCO board and thus obtain a substantial degree of control over TPD. Indeed, this control over TPD (which of course requires that BCO be kept in existence) is the only prize that would explain the otherwise inexplicable offer of 10 per cent of the equity to ordinary shareholders who have lost everything.

All this can be done, without the initiating party having to reveal how many of the preference shares (which are in bearer form) he really represents. It may, in short, be a take-over without a real bid, and the upshot might be that a group of financiers could assume control of a prosperous and well-managed oil company in a British colony at a very small expenditure of their own or anybody else's money. Whether this is to happen now rests with the

Canadian judge. The best solution would seem to be to put British Controlled Oilfields into liquidation, with the appointment of an impartial liquidator whose only duty will be to realise as much for the assets as he can.

Futures Trading in Grains

FUTURES trading in coarse grains inevitably made a shaky start in London this week after a lapse of fourteen years. Practically no interest was shown in either maize or barley and prices were largely nominal. Maize was quoted at about £26 8s. a ton, c.i.f., for March, the first shipment month, and was 8s. lower for May; barley, which was not traded in London before the war, was quoted at about £18 a ton, c.i.f., for March and 10s. lower for May. These prices are below current prices in the actual market, but the discounts are smaller than that for wheat on the Liverpool market, which resumed trading in wheat futures last month. The outlook for prices of maize and barley is less bearish than for wheat; the surpluses are smaller and both grains are in more active demand. This may help the London market to get into its stride rather more quickly than Liverpool, but the process will not be speedy.

The price of maize is dear compared with other coarse grains owing to the American support operations, which have taken the bulk of the surplus off the market. The official stocks, however, are hardly a threat to prices at present, for the United States is now the only substantial source of supply. Russia has recently withdrawn from the market, Argentina has little of its old crop left, and its new crop will not be available until May or June. The supply of barley is more, broadly based, and less strongly held than that of maize and prices, having had a severe shake-out last year, have been fairly stable for some months. But in Britain the price is overshadowed, if not directly threatened, by the large quantity of domestic barley taken off the farms at the support price by the Ministry of Food, which is now offering this barley for sale at prices which are based on the world market.

Trading in wheat futures in London is expected to begin in a few months' time; the resumption of futures trading in coarse grains in Liverpool is still under consideration. Both markets face formidable difficulties in re-establishing effective hedging facilities now that virtually all the world's exports of grain is handled by government agencies. The need for these facilities, and for the influence they should exert on world prices, is plain, but it is perhaps an open question whether they can be provided in existing conditions.

Savings Turn the Corner?

AT last there seem to be signs that the National Savings Movement has turned a corner in its dismal postwar path. Last year was the fifth in succession in which encashments of the investments covered by the National Savings Committee—Savings Certificates, Defence Bonds and

savings bank deposits—exceeded the new investments and savings were a minus quantity. But the withdrawal of savings was smaller than in the previous year.

The table below shows the net addition to or withdrawal of savings in each year since the war. The net figure excludes both the accrued interest remaining invested and the interest paid out on encashed certificates. The bad figures for the last three years might have been even worse were it not that the substantial repayments of defence bonds on maturity are excluded. They are rightly excluded, for they are not repayments at the demand of the investor, but it is likely that some of the money reappears to swell the new savings figures.

Two factors give encouragement for the future of savings. The years immediately following the war were a period of inflation, discouraging to savings. Also large sections of the population had either lost their homes or had been married from the barrack room and had never set up homes of their own. Such people had every justification for using their savings to equip their homes. These influences must

(£'000)

Year ended Dec 31	Net receipts excluding interests accrued	Accrued interest total	Accrued interest paid out on certificates	Defence bond maturities invested	Remaining
1946	355.1	110.0	20.0	nil	5,897.2
1947	235.9	117.7	26.5	..	6,010.6
1948	71.5	120.1	22.4	..	6,036.1
1949	33.5	125.7	24.3	..	6,097.5
1950	97.5	125.4	27.5	..	6,090.6
1951	69.8	126.5	31.3	18.5	6,091.8
1952	115.8	128.6	38.7	58.1	6,011.4
1953	92.5	127.6	39.5	41.6	5,960.0

* Includes certain other Govt. stocks on the Post Office register.

now largely have been worked out. Only the housing drive is still gathering momentum and new houses do call for heavy personal expenditure of the kind for which savings are used.

A further point is that the National Savings Committee's field covers only a part of the individual savings of the general public. Other important sectors include life insurance and shareholdings and deposits in the building societies. It is too early yet to form a picture of what has happened there. Throughout the difficult postwar years they have presented a consistently brighter picture than the so-called "National Savings." Early indications are that 1953 will again be found to have been a good year for both of these channels of saving.

Coal Prices and Steel

SIR HUBERT HOULDSWORTH recalled this week, during a press conference sandwiched between wages negotiations, that the National Coal Board had been considering further adjustments to "the relativity" of certain coal prices long before the miners started arguing that they were subsidising the steel industry. Last year, of course, the board did begin to "open the concertina" for house coals, increas-

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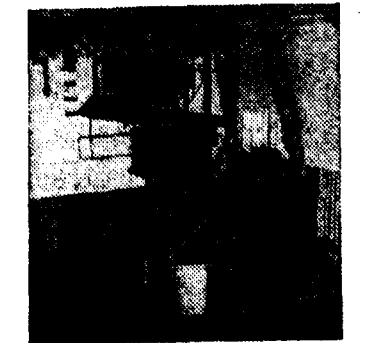
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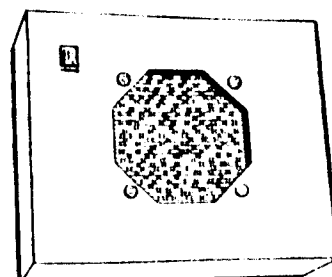
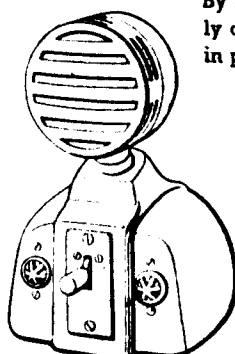
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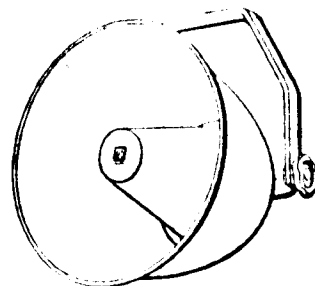
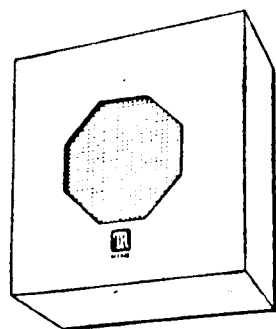
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TINS AREN'T TIN at all, but steel. The tin is a paint-thin coating on a steel container. We call the metal **tinplate** (and the opener a **tin opener**!) but it is still steel.

Tinplate making is one of the oldest crafts in Britain: the origin of the name " Britain " means " land of tin ". The industry has grown mainly in South Wales over several hundred years by traditional methods of hand-rolling. Over the past fifteen years modern continuous plant has been brought into service in this country to cope with the vastly increased demand. At Ebbw Vale in Monmouthshire and later at Trostre in Carmarthenshire immense continuous mills have been installed.

Tinplate is counted by a "basis box" of approximately 100 lbs. These new mills have made possible an output which in 1952 reached a total of twenty million basis boxes of tinplate, or about one million tons.

STEEL is at your service

ing the price of its best coal and reducing the price of the worst stuff it sells. The board holds its financial responsibility as being to break even on its whole output, after paying interest and possibly setting something to reserve; it has never committed itself to the aim of breaking even upon its outputs of the main groups of coals that it sells, though some such broad principle may now be in its mind.

Only occasional and fragmentary estimates may have ever been published of the board's financial results on particular groups of coals. In its annual report for 1952 it stated that anthracite was produced at an aggregate loss (though about a quarter is exported, some of it to Canada for dollars) and Sir Hubert mentioned early last year that 30 per cent of coking coal was produced at a loss (before charging interest) of 7s. a ton or more. It is well known that some of the best coking coals, from Durham and South Wales, come from pits with some of the highest costs in the industry; these coals are among the highest in price, too, but the board has never stated whether it makes a profit on coking coals as a whole. The board's prices are based mainly upon an "objective" scientific grading (which will of course broadly correspond to the preferences of the industrial consumers who use coal more or less scientifically); these rankings are adjusted first to take account of differences in average cost between coalfields, and secondly to suit "market considerations." Market considerations, presumably, would suggest that there would be room to raise prices for the best coking coals, whether or not the board should wish to break even on them. These high-cost coals are becoming scarcer and more costly to get out of the ground, while the volume of home demand for all types of carbonisation coals is tending to grow, and overseas customers would be glad of coking coal from Britain. Moreover, the steel industry, which wants the coals from which metallurgical coke can be made, has announced that in the next five years it expects its annual demand to grow by about 5 million tons.

Outlook for Wool

DOMINION wool growers should be reasonably well satisfied with the results of the first part of the 1953-54 wool-selling season, but they may be apprehensive about the outcome of the second. In the early months of the new season demand was extremely keen and prices of most grades of wool were firmly held at approximately the closing levels of last season; prices of crossbred wool, supplies of which were particularly short, were well above those levels. In the middle of November demand slackened and prices generally fell by between five and ten per cent. In December the market rallied, mainly owing to increased buying by Russia and other East European countries. When the auctions closed before Christmas prices were firm, and practically all the wool on offer had been sold. The estimates of the London Agency of the New Zealand Wool Commission show that the recovery did not offset the earlier decline, but average prices in December were still only slightly below the season's opening levels, and crossbred 58's were actually 4d. higher.

Prospects for the remainder of the season are unlikely to be quite as good. The re-building of stocks in the wool-manufacturing industries appears to be virtually completed,

and the recovery in production to have levelled off. The mild autumn has not encouraged the buying of woollen goods, and even a cold New Year might not bring buyers flocking into the shops. The United States has bought little wool from the Dominions so far, and the present level of activity in its wool industry does not suggest that its purchases will increase substantially. Japan is

DOMINION WOOL PRICES
(Pence per lb clean cost delivered UK)

Quality	New Season				
	July	Sept.	Oct.	Nov.	Dec.
70's.....	162	162	162	164	160
64's.....	146	147	146	145	139
60's.....	130	130	128	127	124
58's.....	109	109	115	114	113
56's.....	89	92*	95	93	90
50's.....	74	77*	80	78	73
48's.....	72	75*	78	77	72
46's.....	71	74*	77	76	70

*Nominal

buying rather less this season, owing to its shortage of sterling. Though the statistical position of wool would seem to preclude any radical decline in prices, much may depend on the demand from Russia and East European countries, which has been an important support to the market so far. Growers must hope that the Soviet *bloc's* new-found solicitude to consumers is here to stay.

A Surplus of Oil

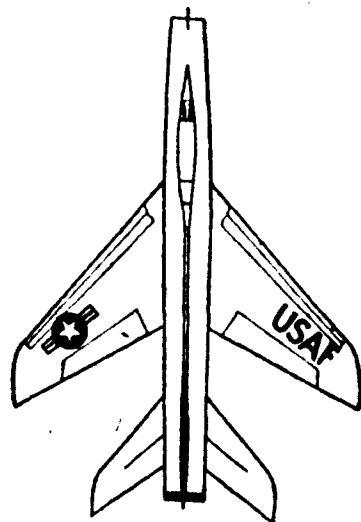
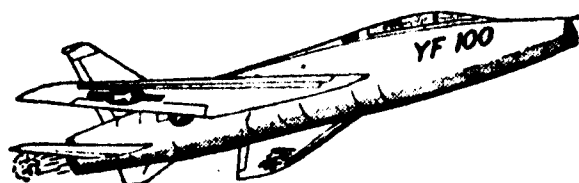
WORLD oil output today is much less than could be produced from wells now in production ; there is a surplus of tanker capacity ; and though new refineries continue to be built, some of the marginal units are finding a market for their products partly because Abadan is out of commission. Though world production has risen by about a third since 1948—to a level of 654 million metric tons last year—the rate of increase in the last two years has slowed to what the industry considers a “ more normal ” rate of about 5 per cent a year. Oil, which for many years has been a new fuel encroaching upon the preserves of others, is itself now losing established markets to natural gas ; the shortages of coal and electricity generating capacity in many countries have abated ; and the increase in fuel demand from industry is tending to slacken—probably more as a result of a slower increase in general industrial output than as a result of any general improvement in the efficiency with which industrialists use fuel.

Most producing areas shared in the increase of crude oil output, except Venezuela, which recorded a decline of 2½ million tons in output (though it remained the world's largest exporter). Output in the United States rose by only 2.6 per cent, but with an increase in imports to a rate of about 50 million tons a year consumption there rose by 5 per cent. In the Middle East, production continued to rise rapidly; it was 121.6 million tons in 1953, more than twice the level five years ago, in spite of the loss of 32 million tons a year through the lack of Persian output. The Middle East today produces more than 20 per cent of world output, and nearly half of total output outside the Iron Curtain; last year's

increase in its output came primarily from Iraq, Kuwait and Qatar. Russian output in 1953 has been given as 52½ million, about 10 per cent higher than in 1952, and roughly the same rate of increase was recorded for the whole Soviet bloc, which produced in all about 66 million tons last year. Rumanian oil output, in particular, appears now to have surpassed its prewar peak; and a trickle of oil exports is now coming from behind the Iron Curtain to nearby markets such as Finland. A world market that is at present very amply supplied with most petroleum markets does not provide the most auspicious background for negotiations to get Persia's oil flowing once more.

The Sabre's Successor

It looks as if the successor to the North American Sabre (F.86) as standard day fighter for the United States Air Force may be another aircraft from the same stable. The fighter shown in the two drawings, the North American F.100, is believed to be the only one of the many fighter prototypes flown in the United States during recent years that has been ordered in quantity. Powered by a Pratt and Whitney J.57 engine of 10,000 pounds thrust, it was intended from the outset to fly consistently at the speed of sound (760 m.p.h. at sea level). It is likely to be the first service aircraft to do so, since other fighters reach these speeds only during a dive. The first production aircraft have already been completed.



The F.100 is a typical "American" aircraft, and it follows the American tradition of thin, sharply-swept wings and bulky fuselages. If wings of this type are to be sufficiently strong, they must be almost solid, so that most of

the fuel must be carried in the fuselage. In a typical British aircraft, the conditions are usually reversed. More fuel is carried in the wings and less in the fuselage (no British designer likes the idea of placing fuel so near the engine), and the design presents a smoother "envelope." Although it is unlikely that any British aircraft yet has a high-speed performance as superb as that of the F.100, the low-speed handling characteristics of British fighters are probably better—and their runway requirements therefore less exacting. In Europe, where airfields may be bombed or over-run by enemy troops, this is a factor to be taken into account. There is also some uncertainty at this stage about whether the F.100 is able to reach its maximum speed at high altitude.

Sterling for Egypt

A FURTHER release of Egyptian blocked sterling balances has been made under the terms of the Anglo Egyptian Financial Agreement of 1951. When that agreement was signed the amount held on Egypt's No. 2 account—that is, the blocked account—was about £230 million. The agreement provided for the release of £10 million from the No. 2 to No. 1 account each year until 1960, but the timing of the release each year was to be at the discretion of the United Kingdom Government. In addition, it was agreed that an additional £5 million would be released in any year in which the balance in the No. 1 account fell below £45 million; that balance has in fact been consistently lower than this for some time, so that the £5 million additional release has been made automatically on the first day of each year. Recently, the Egyptian Government asked for immediate release of the full £15 million for 1954, but the United Kingdom Government, while releasing the £5 million, is exercising its right to postpone the transfer of £10 million to a date of its own choosing. Last year the £10 million was transferred at the beginning of the year. In 1952 it was not paid over until April. Allowing for the £5 million already transferred, the amount left in the No. 2 account is now £165 million. Total transfers of £30 million were made in 1951 and £15 million each in 1952 and 1953.

Dearer Aluminium

THE £6 increase to £156 a ton in the price of aluminium ingots may not affect the consumption of this metal in established markets, but it will probably handicap the development of marginal but potentially important markets, such as structural engineering, and its use for box-making, for which aluminium has lost ground to tinplate. The increase reflects the appreciation of the Canadian dollar against sterling, and increases in costs since private trading was resumed on July 1st, when the price was reduced by £11 to £150 a ton. Four-fifths of Britain's requirements are imported from the Aluminum Company of Canada. The output of British Aluminium, the only home pro-

ducer of ingots, and one of the two largest fabricators, covers just under half its needs, and it imports the remainder mainly from Canada. The new price quoted by Aluminium Union, the trading company of Alcan, is therefore the effective market price in this country. When private trading was resumed, the company undertook not to charge more than the Ministry of Materials would have charged as a public trader, and the increase has been approved by the Ministry. In theory the company's undertaking might be considered to apply until the Ministry's options to take up Canadian metal expire in 1970, but it would be unrealistic to expect the undertaking to continue beyond 1955, when the Ministry's firm contracts with Alcan end.

The prices of aluminium products have been raised by between five and six per cent, compared with the four per cent increase in the ingot price, owing to previous increases in manufacturing costs. This comes just when the industry appears to be recovering slowly from the recession that it experienced for most of last year. In the last quarter demand improved, particularly in transport and construction, the industry's staple markets, and in packaging. But the fabricators are still working below capacity, and perhaps the best that they can now hope for is that their total sales in Britain should not suffer from higher prices. Deliveries of virgin ingots to consumers fell by 58,000 tons to 139,000 in the first ten months of 1953, and imports also fell by 58,000 tons to 141,700; production of virgin ingots, however, rose slightly by 2,200 tons to 25,300. In the overseas markets, a decline in sales to some countries has been much more than offset by larger shipments to others, particularly to the United States, where aluminium has been short. Total exports of aluminium products rose to a value of £13.5 million in the first eleven months of last year from £9.6 million in the same period of 1952, and exports to the United States jumped to £4.6 million from

Company Notes

CARRERAS. Superficially the preliminary report from Carreras for the year to October 31st shows little change from the previous report. The group's profits before tax have risen by a mere £3,140 to £2,907,672. And the full year's dividend on the ordinary and "B" ordinary shares (the latter have no votes) has been left unchanged at 17½ per cent. This dividend absorbs £716,158 out of a net profit of £1,331,950. Thanks to a fall in the British tax provision (from £1,529,416 to £1,422,432) the net profit is £94,413 higher than in 1951-52.

While the repetition of the equity dividend came as no surprise, the mere stability in the group's profits may cause disappointment in view of the group's successful launching of Dunhill cigarettes on the market. Total British sales and exports of tobacco and cigarettes in the year to October 31st were little different from those in the previous year.

Total costs, too, may have shown little change. Packaging costs ought to have been down last year, but this could have

been counterbalanced by a rise in wages, advertising expenditure and the price of leaf tobacco. In the stock market there does not seem to be very much hope that tobacco profits will rise sufficiently fast to carry equity dividends up with them, for the yields offered both by Carreras's and Imperial Tobacco's shares are well above those offered by other leading industrial equities. At the current price of 6s. 6d. the 2s. 6d. Carreras "B" shares yield 6½ per cent. The recent mergers of tobacco firms, foreshadowing perhaps stiffer competition, support this cautious view.

★

WEST RIDING WORSTED AND WOOLLEN. The full accounts of West Riding Worsted and Woollen Mills for the year to August 31st contain almost all the salient features of a recovery in trade. The group's trading profits have shot up from £904,539 to £1,707,146 and its net profits have more than doubled, from £344,057 to £762,455. These advances have been followed by an effec-

£554,000. But foreign competition is extremely keen, and it will probably be impossible to pass on the increase in prices to many overseas consumers.

Capital Issues in 1953

AS in almost every year since the war, the new issue market in 1953 was dominated by the demands for new capital by the Government and the nationalised industries. The table of capital issues published on page 124 shows that total new borrowings directly from the public by cash and "rights" issues amounted to £975 million, compared with £678 million in 1952. But no less than £767 million of this sum was borrowed by the Government, largely through the issues of Exchequer stocks and the issues by the Gas and Electricity boards.

British industry, in raising about £110 million, appears to have knocked just about as firmly on the door of the capital market as it did in 1952. This total is dominated by a few big issues, notably by the debenture stock issued by Anglo-Iranian at the beginning of the year and by those made by aircraft companies. The "new basis" figures, which include stock exchange placings and introductions, also show that the private companies (threatened by the death duty axe) were as eager as ever to secure a quotation for their shares in the stock markets. The only really unusual features of the new issue market were the return of the British local authority as a borrower on the stock exchange and the heavier calls that were made on British savings by companies, notably several banks, in the Commonwealth.

tive increase in the ordinary dividend from 16½ to 22 per cent—a dividend that the chairman, Sir John Keeling, characterises as "conservative in relation to the profit earned."

The return to more prosperous conditions is reflected equally clearly in the consolidated balance sheet. There, the book value of stocks is shown to have increased from £3,325,853 to £4,603,199. Sir John points out that this increase sprang from "the somewhat higher value of wool, the larger turnover of the group and the stock of the new operating subsidiary"; this new subsidiary is E. Wadsworth and Sons which was acquired towards the end of the financial year. With such heavy commitments in stocks the group is one which must have considered whether the wool tops futures market provided a useful hedge. Sir John, however, does not say whether or not the group has gone into this market or even if it intends to do so. His only comment is the cold one that it has "yet to be proved that a futures market in wool will be of the same value to the wool textile industry as the futures market for cotton has been to the cotton industry."

The increase in stock commitments has imposed a further strain on the group's

liquid balances. Its bank overdraft has risen from £82,531 to £404,768 and its cash balances have fallen from £318,777 to £228,779. These movements seem to be the inevitable outcome of a year of trading which Sir John believes has "possibly been more normal" than at any time since

	Years to Aug. 31, 1952	1953
Consolidated earnings :-		
Trading profit.....	904,539	1,707,146
Depreciation.....	96,347	118,946
Taxation.....	460,816	823,312
Net profit.....	347,376	764,888
Ord. dividends.....	106,306	147,005
Ord. dividends (per cent)	25*	22
Retained by subsidiaries	211,923	405,759
Added to carry forward.	7,781	Dr. 20,301

	Years to Aug. 31, 1952	1953
Cons. balance sheet :-		
Fixed assets, less depre-		
ciation.....	1,311,709	1,450,678
Net current assets.....	2,942,259	3,793,590
Stocks.....	3,325,853	4,603,199
Cash.....	318,777	228,779
Bank loans.....	82,531	404,768
Reserves.....	2,446,984	2,661,772
Ordinary capital.....	809,944	1,214,916

* Equivalent rate on new capital, after 50 per cent bonus issue, is 16½ per cent.

the war. But he still cocks a cautious eye at the future. A cushion of £310,000 has been provided in stock reserves against any fluctuations in wool prices. And Sir John confines his comments on current trading conditions to the innocuous remarks that so far the trading results have been "satisfactory" and that the full year's outturn should not be "disappointing."

**ASSOCIATED BRITISH MALT-
STERS.** After the rise in net profits to £118,027 for the year ended August 31st, compared with £90,775 in the previous year, Associated British Maltsters might well have been expected to pay a higher dividend. The net cost of the 10 per cent distribution is less than a quarter of the net profit. The chairman, Captain H. N. Hume, shows that he has set aside

the temptation to pay more for an unusual reason: he expects the price of barley, the company's raw material, to fall. The reversion to a free barley market will in his view bring three consequences. First, in order to clear storage space supplies are likely to be pressed on the market. Secondly, the "gentleman's agreement" between the brewers and the farmers to hold the price of malting barley at not less than 126s. per quarter is in his view unlikely to be renewed. Thirdly, if the expected fall in prices takes place the company will have less money locked up in stocks and debtors and the overdraft will be further reduced with a consequent saving in interest charges. As the company's capital commitments have run down a substantial reduction in the bank overdraft has already been achieved. On August 31st the bank overdraft showed a reduction of £1,010,000

	Years to Aug. 31, 1952	1953
Consolidated earnings :-		
Trading profit.....	462,035	724,443
Depreciation.....	147,171	180,466
Bank and other interest	111,803	127,537
Taxation.....	68,000	183,000
Net profit.....	357,767	1,152,946
Ord. dividends.....	23,625	24,750
Ord. dividends (per cent)	10	10
Added to group carry forward.....	33,025	58,256

	Years to Aug. 31, 1952	1953
Cons. balance sheet :-		
Fixed assets, less depre-		
ciation.....	2,651,641	2,708,909
Net current assets.....	778,596	915,451
Stocks.....	2,941,717	2,286,076
Cash.....	755	792
Bank loans.....	2,052,216	1,043,639
Reserves.....	1,932,195	1,991,013
Ordinary capital.....	450,000	450,000

at £1,043,000, capital commitments having been reduced from £146,600 to £72,000, the lowest figures for some years. It seems clear that the company, whose business is to supply malt to brewers, still has to reap the long term benefits of lower barley prices. Barley from the 1953 harvest was again of good quality.

CAPITAL ISSUES IN 1953 (Excluding Conversions)

Year	Old Basis*	New Basis†	Year	Old Basis*	New Basis†
1952	1953	1952	1953	1952	1953
Total Borrowing (£ million)					
Br. Govt.†	515.4	767.1	549.3	814.6	
Br. Corp. (a)	4.8	41.3	4.8	41.3	
Br. Co's.	106.9	110.0	145.7	149.4	
Br. Total	627.1	918.4	699.8	1,005.3	
Empire	51.0	57.2	66.9	74.6	
Foreign	Nil	Nil	Nil	24.2	
Total	678.1	975.6	766.7	1,104.1	
Indices					
	184	251	215	309	
Total Company Issues (£ million)					
Deb.	26.1	49.8	32.8	85.8	
Pref.	4.7	10.0	11.0	17.8	
Ord.	98.3	76.8	133.4	103.1	
Total	129.1	136.6	177.2	206.7	
Analysis of Issue Applications (£ thousand)					
Br. Govt.†	515,365	767,105	549,312	814,588	
Br. Corp. (a)	4,825	41,293	4,825	41,293	
Br. Govt.	28,883	30,536	35,555	41,560	
For. Govt.	Nil	Nil	Nil	24,250	
Bank & Ins.	46	9,722	Nil	9,722	
Oil	46	20,132	46	20,132	
Eng'ng etc.	3,920	10,758	8,361	16,999	
Electrical	23,337	10,847	23,337	13,592	
Textiles	50	1,802	844	2,465	
Motors, etc.	4,974	8,327	5,112	12,247	
Breweries	10,485	3,613	16,273	6,518	
Shipping	1,051	1,770	1,184	2,488	
Mines	19,617	7,664	19,617	12,794	
Others	65,559	62,017	102,395	85,499	
Total	678,082	975,586	766,661	1,104,147	

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

LONDON STOCK EXCHANGE

Next Account begins: January 13th.
Next Contango Day: January 13th.
Next Settlement Day: January 19th.

STRONG markets have again predominated on the Stock Exchange. Government securities, fixed interest groups and industrial equities have all gained ground. The *Financial Times* industrial ordinary index broke through its last year's high point of 1953 and at 131.9 has reached its best level since the flexible bank rate was reintroduced in November, 1951. Naturally some profit-taking has appeared, but it was not until Thursday that it became sufficient to start a decline in prices.

Gilt-edged have remained a strong market with good investment demand for the medium dated stocks. Bank shares have moved irregularly as might be expected over the period of the dividend declarations. Despite the disappointment caused by the absence of any further German offer on the Potash bonds they have on balance advanced. The 7 per cent issue is one point higher at £151 and the 6½ per cent issue two points up at £139.

Demand for industrial equities has remained good, though selective. Dunlop have lost their volatility since the terms of the capital scheme were disclosed but on balance are 3d. higher at 57s. The stores group has been active during the period of the sales. Great Universal ordinary have advanced, but on Thursday signs of irregularity developed here too. Woollen shares have also been rising though the cotton group has been declining.

On publication of the Lancashire Steel offer terms the discount on United Steel widened to 10½d.

The recent burst of activity in the gold share market has died down and price movements over the last few days have been mainly downwards. Rubber shares remain inactive but the brisk demand for tea shares has been maintained and prices have continued to rise.

FINANCIAL TIMES INDICES

Security Indices		Yields	
Ord.*	Fixed Int.†	2½% Cons.	Ord.
1953			
Dec. 30...	130.4	111.94	3.90
" 31...	130.7	111.90	3.89
1954			
Jan. 1...	131.1	111.84	3.89
" 4...	131.7	111.82	3.90
" 5...	131.9	111.78	3.90
" 6...	131.9	111.96	3.89
1953, High	131.5	112.55	3.90
" Low	113.9	105.68	3.1
(May 20)	(Jan. 5)		
1954			
Jan. 1	121.5	106.66	3.88
(Jan. 1)	103.1	100.67	5
(June 24)			6

* July 1, 1935=100. † 1923=100.

LONDON ACTIVE SECURITIES

Prices, 1953		BRITISH FUNDS AND GUARANTEED STOCKS	Price, Dec. 30, 1953	Price, Jan. 6, 1954	Net Yield, Jan. 6, 1954	Gross Yield, Jan. 6, 1954	Prices, 1953		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Dec. 30, 1953	Price, Jan. 6, 1954	Yield, Jan. 6, 1954
High	Low						High	Low					
100 1/2	99 1/2	War Bonds 2 1/2% '52-54	100 1/2	100 1/2	£ s. d.	£ s. d.	47/6	32/3	12 1/2	15 c STEEL & ENGINEERING	42/6	42/6	7 1/2
100 1/2	98 1/2	Exchequer 2 1/2% 1955	99 1/2	99 1/2	0 18 5	2 5 11	15 1/2	10 10 1/2	15 c	5 a B.S.A. £1	42/6	42/6	7 1/2
102 1/2	99 1/2	Exchequer 3% 1960	102 1/2	102 1/2	1 7 4	2 15 9	55 1/2	45 3/4	10 b	5 a Cammell Laird 5/-	14 1 1/2	14 1 1/2	6 11 8
100 1/2	99 1/2	Exchequer 3% '62-63	99 1/2	99 1/2	1 13 7	3 0 10 1/2	25 1/2	23 10 1/2	10 b	5 a Guest Keen N'fold £1	51 1/2	52/-	5 15 5
99 1/2	98 1/2	Serial Funding 1 1/2% 1954	99 1/2	99 1/2	1 3 10	2 2 5	52/-	44 1/2	12 1/2	5 a United Steel £1	24 10 1/2	24 1/2	6 5 4
99 1/2	98 1/2	Serial Funding 2 1/2% 1957	99 1/2	99 1/2	1 6 10	2 7 11	34/-	21 4 1/2	7 b	2 1/2 a Vickers £1	48/9	47 10 1/2	6 5 4
101 1/2	100 1/2	Serial Funding 3% 1955	101 1/2	101 1/2	0 17 6	2 6 6	28 9	21 4 1/2	7 b	4 a Bradford Dyers £1	30/-	33/-	6 13 4
100 1/2	98 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	1 2 9	2 8 8 1/2	50 3	41 4 1/2	12	6 a Brit. Celanese 10/-	26/-	25/9	6 4 3
101 1/2	99 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 4 7	2 9 8 1/2	50 3	41 4 1/2	7 1/2	5 a Coats (J. & P.) £1	49/6	50/-	5 0 0
101 1/2	99 1/2	Nat. Def. 3% '54-58	101 1/2	101 1/2	1 8 5	2 15 2 1/2	51 4 1/2	37 3	6 1/2	6 1/2 a Courtaulds £1	50/9*	51/-*	5 9 10 1/2
102 1/2	99 1/2	War Loan 3% '55-59	102 1/2	102 1/2	1 6 11	2 14 10 1/2	53 9	38 6	5 a	10 b Lancs. Cotton £1	48/6*	50/-*	6 0 0
97 1/2	96 1/2	Savings Bonds 3% '55-65	97 1/2	97 1/2	1 19 3	3 7 10 1/2	69 6	49 1/2	4 a	16 b Patons & Baldwins £1	66/9	68/-	5 17 8
98 1/2	93 1/2	Funding 2 1/2% '56-61	97 1/2	97 1/2	1 14 6	2 18 2 1/2	44 6	36 6	7 1/2	12 1/2 b Assoc. Elect. £1	42/6	42/6	4 14 1 1/2
92 1/2	86 1/2	Funding 3% '59-69	92 1/2	93 1/2	2 4 6	3 13 3 1/2	40 10 1/2	33 3	10 c	2 1/2 a Brit. Insulated £1	38/9*	38 3/4	5 4 7
95 1/2	87 1/2	Funding 3% '66-68	93 1/2	94 1/2	2 2 1	3 9 10 1/2	40 8	34 1/2	10 b	5 a English Elect. £1	39/9	39 9	5 0 8 1/2
102 1/2	98 1/2	Funding 4% '60-90	101 1/2	101 1/2	2 5 11	3 18 8 1/2	46 1/2	36 6	3 1/2	7 1/2 b General Elect. £1	38/9	38/9	5 16 2
91 1/2	85 1/2	Savings Bonds 3% '60-70	91 1/2	91 1/2	2 2 1	3 15 3 1/2	19 6	15 6	6 1/2	3 1/2 a Bristol Aero 10/-	18 1/2	19/6	5 1 3
91 1/2	84 1/2	Savings Bonds 2 1/2% '64-67	90 1/2	90 1/2	2 4 10	3 9 2 1/2	19 6	15 6	4 a	6 1/2 b British Motor 5/-	6/6	6/6	8 1 6
103 1/2	100 1/2	Victory 4% '20-76	102 1/2	102 1/2	2 1 1	3 17 10 1/2	7 7 1/2	5 8 1/2	7 1/2	7 1/2 c De Havilland £1	28 7 1/2	29/-	5 3 5
89 1/2	82 1/2	Savings Bonds 3% '65-75	88 1/2	89 1/2	2 6 10	3 16 8 1/2	35 10 1/2	23 6	7 1/2	15 c Ford Motor £1	36/6	36/-	4 3 4 1/2
95 1/2	86 1/2	Consols 4% aft. Feb. '57	93 1/2	93 1/2	2 7 0	4 5 5 1/2	37 3	25 1 1/2	15 c	9 b Hawker Siddeley £1	48 1/2	49 3/4	6 10 10
86 1/2	77 1/2	Conv. 3 1/2% aft. April '61	85 1/2	85 1/2	2 5 2	4 2 7 1/2	50 6	36 6	6 a	25 c Leyland Motors £1	83/9	85/-	5 17 8
65 1/2	57 1/2	Treas. 2 1/2% aft. April '65	64 1/2	64 1/2	2 3 0	3 18 7 1/2	96 3	78 6	25 c	8 b Raleigh Ind. £1	30 7 1/2	31/-	6 9 0
76 1/2	67 1/2	Treas. 3% aft. April '66	74 1/2	74 1/2	2 4 5	4 1 1 1/2	32 1/2	24 1/2	2 a	5 a Rolls Royce £1	68/9	69 4 1/2	4 6 6
94 1/2	87 1/2	Treas. 3 1/2% '77-80	93 1/2	94 1/2	2 5 10	3 19 0 1/2	71 3	58 6	10 b	12 c Standard Motor 5/-	5/9	5/6	10 18 2
94 1/2	87 1/2	Treas. 3 1/2% '79-81	92 1/2	92 1/2	2 5 2	3 18 11 1/2	7 3	5 3 1/2	12 c	5 a Boots Pure Drug 5/-	22/9	25/6	3 18 5
86 1/2	76 1/2	Redemption 3% '86-96	84 1/2	84 1/2	2 4 5	3 15 2 1/2	24 1/2	19 1/2	20 c	3 1/2 Debenhams 10/-	31/9	33/9	5 18 6 1/2
87 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52	84 1/2	84 1/2	2 5 7	4 3 0 1/2	24 1/2	19 1/2	17 1/2	5 a Lyons (J.) "A" £1	92/6	95/-	4 14 9
65 1/2	58 1/2	Consols 2 1/2% '68-73	64 1/2	64 1/2	2 2 10	3 17 10 1/2	103 1/2	85 7 1/2	35 b	20 a Marks & Spen. "A" 5/-	74/3	76/-	3 12 4
89 1/2	82 1/2	Br. Elec. 3 1/2% '74-77	89 1/2	89 1/2	2 7 5	3 16 11 1/2	74 9	46 3	55 c	20 a Woolworth 5/-	67/3	68/-	4 0 11
103 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	103 1/2	104 1/2	2 6 7	4 0 10 1/2	67 4 1/2	44 3	12 c	5 a Anglo-Iranian £1	8 1/2	8 1/2	4 3 0
94 1/2	88 1/2	Br. Elec. 3 1/2% '76-79	93 1/2	93 1/2	2 5 1	3 18 3 1/2	8 1/2	5 1/2	30 b	2 1/2 a Burmah Oil £1	60 1/2	58 9	5 2 1
86 1/2	76 1/2	Br. Trans. 3% '78-88	84 1/2	84 1/2	2 6 4	3 16 7 1/2	60 4 1/2	40 11 1/2	12 1/2	4 a Royal Dutch 100 fl.	34 1/2	34 1/2	4 8 10
89 1/2	83 1/2	Br. Trans. 3% '68-73	89 1/2	89 1/2	2 7 5	3 16 11 1/2	103 1/2	85 7 1/2	12 b	5 a Shell Reg. £1	97/6	95 7 1/2	5 14 0
101 1/2	95 1/2	Br. Trans. 4% '72-77	100 1/2	100 1/2	2 4 2	3 14 17 1/2	99 1/2	75 7 1/2	10 1/2	15 1/2 b Trinidad L'holds 5/-	17/6	18/9	4 17 0 1/2
86 1/2	76 1/2	Br. Gas 3 1/2% '90-95	85 1/2	85 1/2	2 3 9	3 16 10 1/2	18 7 1/2	11 6	5 1/2	SHIPPING	37/6	38/6	8 6 3
96 1/2	91 1/2	Br. Gas 3 1/2% '69-71	96 1/2	96 1/2	2 3 9	3 19 6 1/2	44 1 1/2	34 6	13 1/2	2 1/2 a Cunard £1	37/6	38/6	8 6 3
101 1/2	98 1/2	Br. Gas 4% '69-72	100 1/2	100 1/2	2 3 9	3 19 6 1/2	44 1 1/2	34 6	13 1/2	2 1/2 a Cunard £1	37/6	38/6	8 6 3

Statistics

The following list shows the most recent date on which each statistical page appeared.		
BRITISH		OVERSEAS
Prices and Wages.....	Jan. 2nd	Western Europe:
Production and Consumption	This week	Production and Trade.....
Manpower.....	Dec. 19th	British Commonwealth
External Trade.....	Dec. 26th	Western Europe:
Financial Statistics.....	This week	Prices and Money Supply
Industrial Profits.....	Oct. 17th	United States
World Trade.....	Oct. 17th	Dec. 20th

UK Production and Consumption

M—Monthly averages or calendar months. W—Weekly averages. Stocks at end of period.

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	Sept.	Oct.	Nov.	August	Sept.	Oct.	Nov.
INDUSTRIAL PRODUCTION											
Index:											
All industries.....	1948=100	114	117	114	116	120	123	106	125	128	130 131
Mining and quarrying	"	104	108	109	114	117	117	92	112	117	...
Building and contracting	"	105	101	104	112	110	113	110	116	...	...
Gas, electricity and water.....	"	116	124	127	120	132	145	109	123	135	...
Manufacturing, total	"	116	121	115	116	121	124	106	127	131	...
Engineering, shipbuilding, electrical goods	"	116	127	127	127	132	137	109	134	...	...
Vehicles	"	121	124	124	126	127	132	110	146	...	...
Chemical trades	"	124	134	132	130	136	146	...	...	...	...
Textiles and clothing	"	117	116	99	103	112	114	95	121	...	...
BASIC MATERIALS											
Production of:											
Coal (1)	W '000 tons	4,149	4,275	4,332	4,506	4,622	4,587	3,637	4,424	4,598	4,691
Pig-iron	W "	185	186	202	209	204	207	204	214	222	229
Steel, ingots and castings	W "	313	301	310	330	328	345	291	347	355	363
Sulphuric acid.....	M "	150.2	133.8	125.5	115.4	127.7	140.3	152.8	152.3	...	...
Newsprint	W "	10.46	10.13	10.32	9.53	10.85	11.12	9.20	11.86	...	...
Electricity (1).....	M mn. kwh	4,543	4,964	5,166	4,815	5,526	5,947	4,391	5,018	5,828	...
MANUFACTURING											
Textile production:											
Cotton yarn, single.....	W mn. lb	20.23	20.71	14.82	14.96	16.74	17.53	15.99	19.43	20.33	20.59
Worsted yarn	M "	18.91	16.61	14.84	17.15	19.75	17.64	12.94	20.27	21.31	...
Rayon and synthetic fibres, total	M "	30.94	32.00	23.59	22.36	28.42	27.78	28.76	36.22	38.45	36.10
Cotton cloth, woven, " staple fibre.....	M "	14.44	13.93	10.59	11.52	15.49	14.75	13.01	17.55	18.97	17.50
Cotton cloth, woven, " vds.....	W mn. vds	40.8	42.3	32.5	29.3	33.8	34.9	35.9	36.6	41.2	41.0
Wool fabrics, woven.....	M mn. sq yds	37.5	34.8	31.5	33.6	39.1	35.1	24.7	37.8	39.2	...
Engineering production:											
Passenger cars and chassis	W '000s	10.05	9.15	8.62	8.97	9.73	9.96	7.26	12.86	13.29	...
Commercial vehicles and chassis	W "	5.02	4.96	4.65	4.95	5.25	5.02	2.87	4.92	6.44	...
Metal-working machine tools	M '000 tons	9.63	11.09	12.58	13.35	14.70	12.40	7.88	13.69	...	...
Internal combustion engines.....	M '000 BHP	298	353	351	282	315	350	263	321	...	...
BUILDING ACTIVITY											
Permanent houses completed (1)											
Total	M '000s	16.51	16.24	19.99	22.32	23.29	22.14	24.84	28.52	30.03	29.38
For private owners	M "	2.28	1.88	2.86	3.68	3.96	3.71	5.52	6.21	6.86	6.47
For local housing authorities	M "	13.64	13.55	16.11	17.65	18.02	17.40	18.04	20.67	21.31	21.05
Other	M "	0.60	0.81	1.03	0.99	1.32	1.03	1.27	1.64	1.86	1.85
WHOLESALE SALES (1)											
Textile houses:											
Total home sales.....	Av. value 1950=100	100	104	90	118	133	112	78	135	136	116
Women's and children's wear.....	"	100	100	90	124	134	108	85	139	138	109
Men's and boys' wear	"	100	104	82	99	118	106	68	129	130	120
Piece-goods	"	100	103	68	81	83	66	58	81	80	59
RETAIL SALES (1)											
Large retailers:											
All merchandise	Weekly av. value 1950=100	100	109	117	114	117	125	113	120	125	...
Clothing and footwear	"	100	110	110	108	116	118	90	109	121	...
Household goods.....	"	100	108	102	105	108	114	96	116	119	...
Independent retailers:											
Clothing and footwear	"	100	100	95	90	96	100	78	90	98	...
Household goods.....	"	100	112	109	108	117	124	106	121	131	...
STOCKS											
Basic materials:											
Coal, distributed (1)	'000 tons	12,423	16,115	16,311	18,895	19,481	18,882	15,881	17,783	18,797	19,014
Steel	"	985	585	739	783	725	717	1,046	1,012	...	...
Copper (1).....	"	104.3	113.4	132.0	121.6	119.1	126.4	27.4	31.9	36.8	...
Sulphur	"	81.1	99.4	211.8	208.4	214.1	223.6	121.9	109.2	...	...
Newsprint	"	99.0	109.9	189.7	170.3	172.3	181.0	136.2	126.0	...	...
Softwood	'000 stds.	217	724	616	667	669	644	804	810	...	...
Textiles:											
Wholesale houses, total (1)	Av. value 1950=100	86	129	74	92	83	79	104	102	93	...
Large retailers, clothing and footwear (1)...	"	89	106	92	99	103	104	105	109	111	...

(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	806	2,362	1,305	74	...	363	2,180	...	118	478
1951.....	1,468	1,216	2,869	2,142	508	12.5	875	4,785	489	288	972
1952.....	1,620	1,153	3,019	2,235	646	14.7	942	5,149	517	301	1,045
1953.....	1,817	917	2,754	2,343	1,017	17.2	1,222	5,181	588	319	1,191
July.....	1,753	676	2,748	2,307	1,048	12.9	1,198	5,089	588	321	1,189
August.....	1,735	1,010	2,972	2,276	1,092	...	...	5,089	...	299	1,122
September.....	1,750	...	...	...	...	...	...	...	...	...	...
October.....	...	...	...	...	...	...	...	...	...	...	...

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons					'000 fine ounces						
1938	17.7	17.7	4.2	30.0	5.31	100	96	78	25	132.7	394	1,013.4
1951	18.1	25.9	8.8	50.4	5.49	122	265	125	83	74.6	366	959.7
1952	17.2	25.1	8.0	48.7	5.24	137	277	132	103	81.9	373	983.3
1953												
July	16.8	31.0	6.5	50.7	5.91	179	288	104	109	79.6	368	1,030.1
August	16.2	28.8	9.5	51.1	5.77	178	302	100	112	107.1	329	1,017.4
September	11.7	25.5	8.5	47.5	4.51	161	294	...	...	...	334	1,000.9
October	12.7	31.6	7.5	50.0	5.87	175	324	...	...	...	...	1,015.9
November	...	...	8.0	49.0	...	...	...	...	...	...	...	1,002.6

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	795	619	4.62	4.76	135.0	212.8	39.17	28.82
1951.....	61.8	81.8	340	330	550	482	17.21	20.61	178.3	167.4	34.83	28.02
1952.....	87.5	55.7	336	363	...	...	21.04	20.00	...	...	...	...
1953.....	52.1	76.7	405	398	515	400	17.62	13.00	102.4	126.6	38.46	26.40
July.....	52.2	48.7	345	347	511	390	15.22	12.26	83.4	114.0	36.18	24.19
August.....	53.1	59.7	373	344	431	478	...	13.98	...	88.2	34.36	29.45
September.....	50.6	87.9	362	348	...	...	...	...	...	...	...	...
October.....	...	...	...	...	...	...	...	...	...	...	...	...

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	...	72	...	68	71	
1951	1,016	1,826	1,888	127	386	146	118	107	119	99	116	122	
1952	944	1,864	1,729	120	381	170	121	105	128	101	126	133	
1953													
July	...	1,761	1,726	221	282	} 179	{ 120	113	}	135	{ 111	130	137
August	...	1,771	1,716	220	260								
September	...	1,791	1,732	219	265	...	121	...	...	...	113	133	137
October	...	1,791	1,720	210	260	...	121	...	...	...	...	...	137
November	...	1,811	...	205	266	...	121	...	...	...	...	...	...

Financial Statistics

EXCHEQUER RETURNS

For the twelve days ended December 31st there was an "above-line" deficit (after allowing for Sinking Funds) of £33,410,000 compared with a deficit of £79,572,000 in the previous week and a deficit of £43,197,000 in the corresponding period last year, bringing the cumulative deficit to £545,693,000 (£525,131,000 in 1952-53). Net expenditure "below-line" absorbed £6,506,000, which brought the total cumulative deficit to £828,799,000 (£951,484,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Dec. 31, 1952	April 1, 1953 to Dec. 31, 1953	11 days Dec. 31, 1952	12 days Dec. 31, 1953
Ord. Revenue					
Income Tax	1782,250	655,850	643,752	30,289	42,604
Sur-tax	127,000	51,000	50,000	2,100	2,900
Death Duties	160,000	111,150	121,800	2,550	4,500
Stamps	52,000	37,250	41,600	1,800	2,100
Profits Tax & E.P.T.	214,000	295,100	114,800	4,300	1,200
Excess Profits Levy	99,500	100	48,050	...	700
Special Contribution and other	1,000	1,310	770	...	50
Inland Revenue					
Total Inland Rev.	2435,750	1151,760	1050,772	41,089	54,054
Customs	1044,300	774,142	797,680	19,532	25,083
Excise	680,480	549,101	548,755	23,048	24,265
Total Customs and Excise	1724,780	1323,243	1346,435	42,580	49,348
Motor Duties	69,000	16,195	18,481	137	527
PO (net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	9,500	10,900	1,350	1,700
Sundry Loans	25,000	20,048	20,312	...	...
Miscellaneous	95,000	91,194	95,645	4,519	4,056
Total	4368,215	2612,040	2542,541	89,676	109,685
Ord. Expenditure					
Debt Interest	615,000	442,973	451,332	30,592	33,689
Payments to N. Ireland Exchequer	48,000	28,939	34,057	1,669	2,028
Other Cons. Fund	10,000	6,658	5,736	67	47
Supply Services	3586,286	2634,352	2572,574	100,375	107,213
Total	4259,286	3112,931	3063,698	132,703	142,975
Sinking Funds	...	24,240	21,536	170	120

"Above-line" Surplus or Deficit	-525,131	-545,693	-431,977	-334,100
"Below-line" Net Expenditure	426,353	283,106	4,313	6,506
Total Surplus or Deficit	-951,484	-828,799	-475,101	-399,160

Net Receipts from:				
Tax Reserve Certificates	135,074	220,481	19,264	20,047
Savings Certificates	1,200	10,750	400	250
Defence Bonds	40,433	33,090	435	354

FLOATING DEBT

PUBLIC DEBT					
(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952					
Dec. 31.....	4,715.2		252.1	6.8	4,974.1
1953					
Sept. 30.....	4,803.1		273.4	...	5,076.5
Oct. 10.....	4,525.8*		245.9	...	4,771.7
" 17.....	4,552.2*		252.2	...	4,804.3
" 24.....	4,550.4*		254.1	...	4,804.5
" 31.....	4,538.1*		254.9	1.3	4,794.3
Nov. 7.....	4,535.2*		250.0	...	4,785.2
" 14.....	4,591.7*		253.9	...	4,845.5
" 21.....	4,604.2*		258.8	...	4,873.0
" 28.....	4,620.5*		254.0	...	4,875.1
Dec. 5.....	4,674.4*		242.5	...	4,916.9
" 12.....	4,726.3*		283.1	2.3	4,966.7
" 19.....	4,759.0*		266.9	1.0	5,026.9
" 31.....	4,853.5*		250.1	...	5,103.6

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

THE MONEY MARKET

AFTER surmounting the year-end more comfortably than usual, Lombard Street ran into more difficult credit conditions later in the week covered by Wednesday's Bank return. On Saturday official help was granted—mainly direct to the market—for the first time for some weeks, to relieve a stringency caused by heavy outside calling; and on Monday heavy payments to the Exchequer made credit so short that, despite considerable official purchases from both the banks and the market, one or two houses were actually forced to seek a little aid on penal terms. This was the first time that the market had been "in the Bank" for nearly four months. Conditions eased somewhat on Tuesday, and on the following day the authorities had to mop up a surplus of credit by buying bills from the market.

The market maintained its bid at £99 9s. 4d. for the £250 million of bills on offer at last week's Treasury bill tender, but as total applications fell by over £22 million, the market's allotment rose from 63 to 73 per cent. The offer at yesterday's tender was reduced to a maximum of £230 million.

The Bank return shows a reflux of notes of £28.1 million, making a total of £48.5 million since Christmas, or slightly more than last year. The fiduciary issue was reduced by £50 million, but the reserve in the banking department is still over £33½ million. Government securities in the banking department rose by only £16.7 million, despite the transfer of £50 million of securities from the issue department; public accounts fell by £3.4 million, and bankers' deposits by £2.6 million despite the note reflux.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	5½
Discount rates	
Bank bills: 60 days	2½
3 months	2½
4 months	2½
6 months	2½
Deposit rates (max)	
Banks	1½
Discount houses	1½
Money—Day-to-day	1½-2½
Short periods	1½-2½
Treas. bills 2 months	2½
3 months	2½

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates : Spot						
	Jan. 6	Dec. 31	Jan. 1	Jan. 2	Jan. 4	Jan. 5	Jan. 6	
United States \$	2-78-2-82	2-81½-2-81½	2-81-2-81½	2-81-2-81½	2-81½-2-81½	2-81½-2-81½	2-81½-2-81½	
Canadian \$	2-73½-2-74½	2-73½-2-73½	2-73½-2-73½	2-73½-2-73½	2-73½-2-73½	2-73½-2-73½	2-73½-2-74½	
French Fr.	972-65-987-35	980½-980½	980½-980½	980½-980½	979½-979½	978½-978½	978½-978½	
Swiss Fr.	12-15½-12-33½	12-21½-12-21½	12-21½-12-21½	12-21½-12-21½	12-21½-12-21½	12-21½-12-21½	12-21½-12-21½	
Belgian Fr.	138-95-141-05	139-70-139-70	139-80-139-80	139-70-139-80	139-85-139-95	139-85-139-95	139-85-139-95	
Dutch Gld.	10-56-10-72	10-61½-10-61½	10-61½-10-61½	10-61½-10-61½	10-61½-10-61½	10-61½-10-61½	10-60½-10-61½	
W. Ger. D-Mk.	11-67½-11-84½	11-67½-11-68½	11-67½-11-67½	11-67½-11-68½	11-68½-11-68½	11-68½-11-68½	11-67½-11-68½	
Portuguese Esc.	79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	
Swedish Kr.	14-37½-14-59½	14-48½-14-48½	14-48½-14-48½	14-48½-14-48½	14-48½-14-48½	14-48½-14-48½	14-48½-14-48½	
Danish Kr.	19-19½-19-48½	19-34½-19-35	19-34½-19-34½	19-34½-19-35	19-34½-19-35½	19-34½-19-35	19-34½-19-34½	
Norwegian Kr.	19-85-20-15	20-01½-20-02	20-01½-20-02½	20-01½-20-02½	20-01½-20-02½	20-01½-20-02½	20-01½-20-02½	
One Month Forward Rates								
United States \$	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	
Canadian \$	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	
French Fr.	1½-1c. dis	1½-1c. dis	1½-1c. dis	1½-1c. dis	1½-1c. dis	1½-1c. dis	1½-1c. dis	
Swiss Fr.	2½-1c. pm	2½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	
Belgian Fr.	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	4c. pm-4c. dis	
Dutch Gld.	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	
W. Ger. D-Mk.	Par 1pf. dis	Par 1pf. dis	Par 1pf. dis	Par 1pf. dis	Par 1pf. dis	Par 1pf. dis	Par 1pf. dis	
Swedish Kr.	40 pm-40 dis	40 pm-40 dis	40 pm-40 dis	40 pm-40 dis	40 pm-40 dis	40 pm-40 dis	40 pm-40 dis	
Danish Kr.	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	
Norwegian Kr.	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	

BANK OF ENGLAND RETURNS

	£ million		
	1953 Jan. 7	1953 Dec. 30	1954 Jan. 6
Issue Department			
Notes in circulation	1,502.0	1,619.9	1,591.8
Notes in banking dept.	23.3	55.4	33.6
Govt. debt and securities*	1,521.8	1,671.8	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	13.2	14.9	11.5
Treasury special account	24.5	7.2	7.2
Bankers	275.2	290.2	287.6
Others	73.2	70.4	70.2
Total	385.9	382.7	376.5
Securities			
Government	354.7	316.6	333.3
Discounts and advances	6.1	4.9	9.8
Other	14.5	21.5	15.6
Total	375.3	343.0	358.7
Banking department reserve	24.7	57.8	36.0
"Proportion"	6.4	15.1	9.5

* Government debt is £11,015,100, capital £14,555,000. Fiduciary issue reduced from £1,675 million to £1,625 million on January 6, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Max. Rate %*
	Offered	Applied For	Allotted		
1953					
Jan. 2	180.0	249.7	180.0	47 8-20	63
Aug. 28	280.0	370.2	280.0	46 8-25	77
Sept. 4	300.0	394.6	300.0	47 7-43	66
" 11	300.0	388.0	300.0	47 11-85	68
" 18	280.0	340.6	280.0	43 0-06	80
" 25	270.0	362.2	270.0	42 8-05	70
Oct. 2	280.0	348.2	250.0	42 8-09	63
" 9	250.0	359.5	230.0	42 7-35	49
" 16	230.0	367.7	230.0	41 11-57	51
" 23	240.0	353.2	240.0	41 11-67	55
" 30	240.0	385.9	240.0	41 11-37	45
Nov. 6	220.0	392.5	220.0	41 10-62	34
" 13	230.0	372.9	230.0	41 11-48	46
" 20	230.0	374.5	230.0	41 10-92	43
" 27	240.0	368.4	240.0	41 11-45	50
Dec. 4	250.0	374.0	250.0	41 11-72	55
" 11	250.0	368.5	250.0	41 11-98	58
" 18	250.0	368.4	250.0	42 0-62	78
" 24	250.0	358.9	250.0	42 7-34	63
1954					
Jan. 1	250.0	316.6	250.0	42 8-29	73

* On January 1st tenders for 91 day bills at £99 9s. 4d. secured about 73 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £230 million.

THE THREE BANKS GROUP

Total resources over £350,000,000



ROYAL BANK OF SCOTLAND

Founded 1727 Edinburgh, London & Branches

GLYN, MILLS & CO.

Founded 1753, London

WILLIAMS DEACON'S BANK LTD.

Founded 1771 Manchester, London & Branches

1853



1953

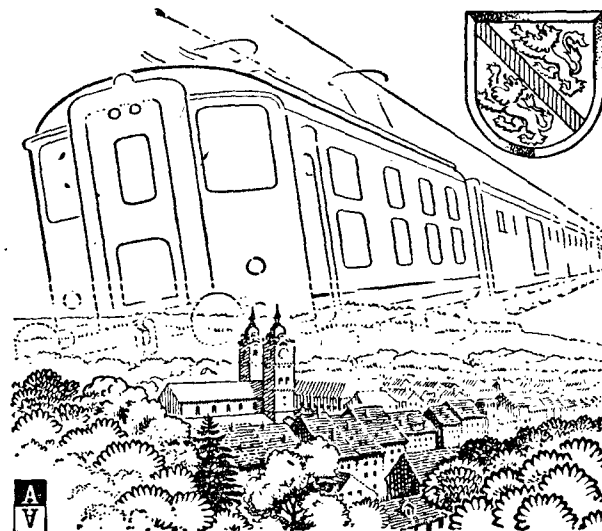
The Chartered Bank of India, Australia and China was incorporated in England by Royal Charter on 29th December, 1853, and during the ensuing century its system of Branches has been progressively extended to most centres of commercial importance throughout Southern and South Eastern Asia and the Far East. 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.

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HEAD OFFICE: ZURICH, Bahnhofstrasse 45

UNION DE BANQUES SUISSES

SCHWEIZERISCHE BANKGESELLSCHAFT

OVER 30 BRANCHES THROUGHOUT SWITZERLAND

Capital, fully paid.....Swiss Francs 80,000,000

ReservesSwiss Francs 60,000,000

Total Assets.....Swiss Francs 2,064,572,934

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AUSTRALIA AND NEW ZEALAND BANK LIMITED

MARKED PROGRESS

INCREASE OF CAPITAL APPROVED

THE HON G. C. GIBBS'S SURVEY

The annual general meeting of Australia and New Zealand Bank Limited was held on January 1st at 71 Cornhill, London, E.C.3.

The Hon G. C. Gibbs, CMG, chairman of the bank, who presided, said:

I have also to report that Mr C. E. Murch, head-office manager, recently retired from our service on account of age. He joined the Union Bank of Australia, Limited, some 47 years ago, became assistant manager in 1936, and was appointed London manager in 1944. Mr Murch has served this bank as head-office manager since its inception, and has given much valued service. He will be greatly missed by his many friends in the City. Mr J. S. Hardie, deputy head-office manager, has been appointed head-office manager in succession to Mr Murch.

AUSTRALIA

The high wool prices of 1950-51 were accompanied by a great expansion of purchasing power in Australia which resulted in heavy imports and severe loss of liquidity in the economy. Mainly because of the strength of the banking system this loss of liquidity did not lead to disruption of business, but, to prevent continued inflow of goods, the Government decided to impose import restrictions. The past year has seen real progress towards more stable conditions. Advantage has been taken of the breathing space afforded by import restrictions to reduce stocks gradually and restore the liquidity of traders and manufacturers to a reasonably safe level on an orderly basis. This reduction in imports has been accompanied during the past trade year by a pronounced expansion in export receipts. Rural production increased strongly in favourable seasonal conditions, and, with good prices in overseas markets, the value of exports rose to £A871 million, an increase of 29 per cent above the previous season.

During the financial year 1952-53 Australia purchased \$30 million from the International Monetary Fund and drew a further \$37 million under loans from the International Bank. The capital inflow on Government account was offset by a net outflow on private account amounting, according to preliminary estimates, to some £A37 million. This is in marked contrast with the net inflow of more than £A500 million during the preceding four years.

The substantial improvement in the balance of payments during the financial year resulted in an increase in Australia's overseas currency resources of £A186 million to £A548 million in June, 1953—a very favourable contrast with the loss of £A481 million in the preceding twelve months. The material improvement in the balance of payments had a marked effect on general liquidity within Australia, which was reflected in an easing of demands on the banking system. Repayment of bank advances and a substantial growth in deposits reversed the trends of the previous year.

The decline in pressure for bank advances has been followed by a further relaxation of the selective advance policy laid down by the

Central Bank. Advance control, which had been gradually eased, virtually came to an end in October, 1952, and since then has been confined to a provision to ensure that large advances would not be extended in a manner contrary to Capital Issues control. Relaxation in official lending policy has been accompanied by a more liberal policy regarding liquid resources of the banking system.

Important amendments to banking legislation were passed in April, 1953. The special account provisions are now less onerous. They are based on the position of the trading banks at October 10, 1952, instead of as previously on the position early in the war, which had little relationship to current conditions. The trading and central banking sections of the Commonwealth Bank have been separated, but the policy of the Commonwealth Trading Bank will still be determined by the Commonwealth Bank board. The law now also requires the Commonwealth Trading Bank to comply with special account and other requirements of central bank policy. Another provision which is of particular importance to the trading banks removes restrictions on investment in Government and other securities, thereby placing the responsibility to a large extent on the banks themselves to maintain a satisfactory liquid position.

Although the acreage planted to wheat was lower than in the preceding year, the yields were among the highest recorded. The rise in wheat output has been accompanied by a similar increase in meat production. Wool production increased by 14.6 per cent to reach the record level of 3,851,000 bales.

The rise in rural production has been accompanied by an improvement in output of the basic industries. Concentration upon lighter industries and service trades had left the basic industries short of labour and unable to operate at full capacity. Following the deflationary trends of 1952, there has been a marked improvement in the labour force available to them, with a consequent increase in production. Output of coal and steel has responded, loss of time resulting from power shortages has largely disappeared and transport services have made some improvements, to the advantage of industry as a whole.

Australia's known resources have recently been extended significantly by discoveries of uranium and other minerals. The search is still proceeding and the employment of new and more accurate methods of exploration makes the prospects of discovering mineral deposits, if they are there, far more likely than in earlier years.

The latest development is the discovery of oil in the north-west of Western Australia, announced as recently as December 4th last. The significance of the strike has yet to be assessed in the light of further testings.

NEW ZEALAND

New Zealand suffered much the same kind of reaction as Australia following the sharp rise in export income in 1950-51. A heavy

deficit in the balance of payments in 1951-52 raised bank advances to record levels. The Central Bank imposed additional controls upon advances and instituted a system of exchange allocation to restrict the volume of imports. Merchants liquidated excessive stocks without forced sales or similar measures involving business dislocation, and bank advances declined sharply. Internal stability at high levels of employment has been achieved, and, with good export receipts in prospect, the outlook for the present year is favourable.

The system of exchange allocation played an important part in correcting New Zealand business conditions and imports declined to about £NZ172 million in 1952-53 from the exceptionally high level of 1951-52. Import restrictions have been eased as the internal position has shown signs of greater stability. While imports were reduced, export receipts were well maintained and the overseas assets of the banking system rose by £NZ43 million during 1952-53 to reach £NZ117.6 million in June, 1953, making good most of the decline of the previous year.

The Murupara paper and pulp project is being pressed rigorously forward and in addition a high rate of developmental expenditure is planned by the Government for hydro-electric schemes, land settlement, state housing, transport and community services. The total programme amounts to £NZ68 million. Some borrowing overseas has been arranged, but it is expected that capital requirements will continue to make heavy demands upon current income.

Market yields rose in the later months of 1952, those for long-dated Government issues reaching 4 3s. per cent in December, 1952. With the development of more liquid conditions they declined and since May have remained more stable at about 4 per cent. During 1952 the Government did not have recourse to the market, but drew upon departmental sources to finance its projects. The scale of present development schemes, however, necessitated an approach to the market in 1953. A loan for £NZ20 million partly to redeem a maturing issue was opened in May, and issued at a discount giving an effective yield of 3 19s. per cent over the nine-year term. The loan met with success, as did a further loan for £NZ10 million opened in September on the same terms. A loan for £10 million English currency offered on the London market last month was heavily oversubscribed.

Between August, 1952, and May, 1953, the minimum balance which the banks are required to keep at the Reserve Bank was increased from 7 per cent to 20 per cent of their demand liabilities and from 3 per cent to 10 per cent of their time liabilities. This technique for controlling the volume of bank credit, which has not previously been employed in New Zealand, has immobilised a material proportion of our assets, upon which no interest is paid.

ACCOUNTS

The accounts now before you reflect both the steady consolidation of the Bank's busi-

ness following upon the merger, and the improvement during the past year in Australia's and New Zealand's overseas trade balances, to which I have made reference. An increase over the year of £A26 million in deposits, bills payable, etc., and a decrease of nearly £A28 million in loans and advances to customers are an indication of the extent of the reversal in Australia and New Zealand of the trends noted a year ago, when heavy payments for imported stocks, a slackening in domestic trade, and the severe import restrictions then in force made a considerable impact on our figures for deposits and advances. Modest increases in our bills receivable and acceptances for customers figures this year illustrate the same tendency.

A noteworthy feature of the balance sheet is the great improvement shown in our liquid position in comparison with the previous year's figures. This improvement is in line with the general restoration of liquidity, particularly in Australia, and is illustrated by increases of over £A16 million in our cash balances, and of nearly £A13 million in Treasury bills. It is gratifying that the latter traditional item of short-term banking investment again appears in our accounts. The decrease of £A11 million in balances due to other banks is also a sign of improved liquidity, arising as it does from the fact that during the year under review we have repaid the special borrowings from the Central Bank

in Australia which have been a feature of our accounts in recent years.

Your directors have taken this opportunity to strengthen the bank's published reserves by making a transfer from profit and loss account. The balance to the reserve fund now stands at the equivalent of £6 million English currency, while the balance to be carried forward in profit and loss account more than covers the cost of a year's dividend.

BRANCH REPRESENTATION

We have continued our programme of merging branches in certain places where we had two branches, and altogether 56 such mergers have been carried out since October 1, 1951. During the same period, 64 new branches have been opened and further new branches are planned.

The report and accounts were adopted and the dividend, as recommended, was approved. Votes of thanks were passed to the chairman and directors and to the management and staff at home and overseas.

EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting immediately followed the annual general meeting, when resolutions were passed increasing the authorised share capital of the Bank from £17,000,000 to £22,500,000 English currency.

MCDUGALLS TRUST LIMITED

MR KENNETH MOORE'S REVIEW

The twentieth annual general meeting of McDougalls Trust Limited was held on December 31st at Thames House, Queen Street Place, London, E.C.4.

Mr Kenneth A. E. Moore (the chairman) who presided said: The excellent results shown by the accounts for the past financial year are due partly to an increase in the sales of McDougalls Self-Raising Flour and partly to the fact that all the companies in the group had a very good year.

The group profit of £498,000 is, I need hardly say, an all-time record. Out of this, taxation absorbs no less than £321,000 or, say, 64 per cent. The unkindest cut of all is that, having by much sweat and toil on the part of management, staff and workpeople, substantially increased efficiency, production and profits since the standard years of 1947-49, we have incurred a liability to excess profits levy—surely the most deplorable tax ever imposed in peacetime on industry struggling to improve its productive efficiency. Fortunately, it comes to an end this very day.

Of the increase of about £150,000 in group profits roughly £100,000 accrues to the Exchequer.

We are very glad on this occasion to have felt able to recommend a total dividend of 12 per cent on the ordinary share capital, as compared with the rate of 10 per cent paid in respect of each of the preceding 16 years. The increase is a token of the remarkable development of the business during that period, which has hitherto been masked by war and postwar controls and restrictions of one kind and another.

As mentioned in the directors' report, Government control of the flour milling activities of the group came to an end on August 29, 1953, after being in operation for no less than 14 years. I need hardly say that we are delighted once again to have our freedom in the selection and purchase of

wheat and in the production and sale of an article of the highest quality.

The fresh winds of competition have been a stimulus to all engaged in the conduct of the business, and I am glad to say that, in the first three months of the current year, production and sales of McDougalls Self-Raising Flour have advanced to a new high level. Our mills and packing plants are, in fact, running to capacity and are hard put to it to meet orders. Various steps have already been taken, or are in train, to increase our packing capacity, and, since the date of the accounts, we have acquired another business which, when certain extensions have been carried out, will help in this regard.

The consolidated balance sheet before you today sets out the financial position of the group at the end of Government control. It shows, amongst other things, an excess of current assets over current liabilities amounting to over £800,000. The current assets include more than £500,000 of cash and tax reserve certificates, but I should be failing in my duty if I omitted to point out that, in due course, we shall feel the full strain of financing wheat stocks at much higher than pre-war prices. At present part of that burden is still carried by the Government, but one must assume that to be a passing phase only. For this reason, and because of the notable development of the various facets of the business since pre-war days, we may need at some time in the future to seek increased capital. We must be prepared to take that fence when we come to it, but in the meantime you may rest assured that the business has never been in better shape, and that we are entitled to look to the future with every confidence.

Our most sincere thanks are due to management, staff and workpeople for their contribution to our progress in the past and recent years. You will be glad to know that it has had tangible recognition in various forms, including increased bonuses and a supplementary pension scheme for those who have given long and loyal service.

The report and accounts were adopted, and a special resolution amending article 89 of the articles of association was duly passed.

HAWKER SIDDELEY GROUP LIMITED

SIR THOMAS SOPWITH, CBE, REVIEWS STATUS OF BRITISH AIR POWER, CALLS FOR BOLDER RESEARCH POLICY

The eighteenth annual general meeting of the Hawker Siddeley Group Limited was held on January 6th in London.

During the course of his speech, Sir Thomas Sopwith, CBE, the chairman, said:

Certain special features in this year's accounts have been explained in the directors' report, and I therefore propose to confine my financial survey mainly to the more general aspects.

The trading profits of the Group for the year ended July 31, 1953, after deducting reserve for increased replacement cost of fixed assets, amounted to £5,033,744, as compared with £5,184,552 for the previous year. Both production and sales of the United Kingdom subsidiaries show an increase on last year. Our Canadian company, A. V. Roe Canada, Limited, has shown a very marked increase in production arising from its important contribution to the Canadian defence programme.

Turning to the consolidated balance sheet, you will observe that after the provision of £1,775,551 for depreciation, fixed assets show an increase of nearly £8 million. In addition to the acquisition of certain Crown assets in Canada, other substantial expenditure has been incurred in the United Kingdom. It is the policy of your board to keep abreast of scientific and technical developments and constantly to modernise capital assets so that our resources are in line with latest developments in production technique.

With these considerations in mind, we have this year set aside an additional sum of £1 million out of the profits of the year to reserve for replacement of fixed assets and development, thereby increasing this reserve to £6 million. Last year I said that high taxation restricted both expansion and replacement. Whilst your board welcomes the reinstatement of initial allowances, this is merely a slight palliative in relation to the fundamental problem. Taxation allowances are still related to historical cost and take no cognisance of the increased cost of replacement. The already high level of taxation without appropriate reliefs based on replacement costs results in too large a slice of profits being taken away in taxation and it adds to the burden of industry faced with the constant renewal and improvement of capital equipment.

Your board is recommending a final dividend of 9 per cent, less tax, making with the interim dividend already paid a total dividend for the year of 15 per cent, less tax. This compares with a total distribution last year of 10 per cent, less tax.

Sir Thomas then moved on to discuss the many products and activities of the group—the Vulcan Bomber, the Hawker Hunter, the Sea Hawk, the Gloster Javelin, the CF. 100 long range fighter, the Sapphire and Orenda jet engines, the Sapphire motor car, diesel engines, guided missiles, alloys, and Hawksley houses. He reviewed the current status of British aircraft and called for bolder research policy. He concluded with these words:

"We are now moving rapidly into an age of new weapons, of atomic and thermonuclear power. Let us be bold. Let there be no hesitation. Let us stride into the future confident that we are already wrestling from it that pioneering leadership which has ennobled us in the past."

The report and accounts were adopted.

THE BANK OF CEYLON

IMPORTANCE OF AGRICULTURAL EXPORTS

SIR ERNEST DE SILVA'S SURVEY OF CEYLON'S ECONOMY

The fifteenth annual general meeting of The Bank of Ceylon was held on December 19th, in Colombo. The chairman, Sir Ernest de Silva, Kt, presided, and the following is an extract from his circulated statement:

Last year has again demonstrated beyond doubt the country's absolute dependence on her three main agricultural exports—tea, rubber and coconuts, and on foreign sources for our requirements of food, clothing and materials for housing. Equally emphasised has been the need for a greater diversification of our economy.

The Korean boom was largely responsible for our export prices rising earlier and faster than import prices, with consequent inflationary monetary pressure on our economy. Ceylon, in this period, enjoyed unbounded prosperity, with high prices ruling for almost all her exports and with the terms of trade in her favour. Even before the signing of the Korean Truce and with the prospect of world peace this country faced increasingly unsettled trading conditions. Export prices fell earlier and faster than import prices, and the terms of trade were definitely moving against us.

CEYLON'S FOREIGN TRADE

Ceylon's foreign trade in the first nine months of 1953 recorded an adverse balance of trade in merchandise, though it showed an improvement over the comparable period in 1952. There has been a similar improvement in the terms of trade. In spite of the steady improvement in the terms of trade, Ceylon still has an unfavourable trade balance, but the position is expected to improve when the new Budget has its full effect.

Tea exports for the nine months of 1953, both in quantity and value, were higher than in the corresponding period of 1952. Increased supplies have not affected prices, which, on the average, have been higher than in 1952. Throughout the world the tea-drinking habit is spreading, assisted by the dearth in coffee, which is increasingly becoming a luxury.

Rubber exports are faring well, thanks to the Ceylon-China Trade Agreement. One beneficial outcome of the China trade, as far as this industry is concerned, is the rubber rehabilitation scheme, financed out of profits on the China trade. The scheme provides for the replanting of uneconomic lands with high-yielding grades.

There was an appreciable decline in the total exports of coconut products during January to September of this year when compared with the same period last year. The stock position of consumers of coconut oil and copra in Western countries is reported to have been good and a policy of caution in the uncertain times ahead have made buyers provide only for their immediate needs. Both commodities are in good demand in Asian countries, including China, which is now an active buyer in the Far Eastern markets and especially in Ceylon. The demand for desiccated coconut was generally good and shipments in September reached a record peak due to large orders from the Continent. The seasonal trend indicates improved prices for the end of the year.

FOREIGN CAPITAL AND CEYLON'S NEEDS

While foreign capital is likely to be of considerable help to our balance of payment

position, it is doubtful whether there will be a substantial inflow in the next few years. It is not merely a question of conditioning our political and economic climate to foreign capital. The fundamental question from the point of view of the nationals arises. Is foreign capital to be allowed in for the country's benefit or for its exploitation, and is it to be for the benefit of the people of this country or for the benefit of non-nationals? It is not enough that the country's economy gets the benefit of foreign capital. The benefit should accrue to the nationals as well. Otherwise any uncontrolled influx of foreign capital may mean a reversion to the old colonial policy of exploitation. What is required is a proper understanding of what type of foreign capital is beneficial to the people of this country and what is not. With this distinction in view the Government could with profit give every encouragement to the influx of foreign capital.

FINANCIAL POSITION OF THE BANK

The accounts indicate that the Bank's gross profits during the period under review suffered a slight diminution from the peak profits earned in the boom year 1951-52. It will, however, be observed that the net profits are higher than last year's. In keeping with the general economic trend of this country the total balance-sheet figures show an overall reduction of Rs.69 million from the figures of last year. Of this figures Rs.53 million are accounted for by the drop in the item, liabilities of constituents for credits, guarantees, acceptances and other engagements. This decline is due to a large reduction in outstanding credits guaranteed on behalf of foreign banks, particularly in connection with the Ceylon-China trade, which is now on a Government to Government basis involving no engagements on the part of this Bank. This does not, however, mean that the volume of commercial credits opened during the course of the year declined; on the contrary, the turnover under this particular head has shown an improvement over the year 1951-52. The material short-fall is therefore about Rs.16 million on account of a decline of a similar amount in the volume of demand deposits on the liabilities side under the item "Current savings and fixed deposits, contingency fund, provision for taxation, and other accounts."

This diminution in the volume of demand deposits is not peculiar to your Bank. As stated earlier the volume of demand deposits in the whole banking system has declined appreciably. You will be pleased to learn, however, that your Bank now controls 31 per cent of all demand deposits in commercial banks and approximately 38 per cent of the total deposits of all commercial banks. These percentages show an improvement on the figures for the previous year.

Cash assets show a fall of Rs.15 million, but it may be stated that the Bank carries in its portfolio sufficient Government securities maturing very shortly, which together with advances of a very liquid nature ensure a highly satisfactory liquid position for the Bank.

The increase in the figure for advances to customers amounting to Rs.6 million is due to the increase in credit facilities extended to the export trade under a scheme which ensures for the Bank not only a safe investment, but also a liquid one. Finance for the import trade shows a decline and this is explained by restricted imports and inventory.

I may state in this connection that the textile trade in particular is passing through times as adverse as those experienced in 1951 to which I made reference in my statement of that year. You will be pleased to learn, however, that the present stringent conditions have not in any way affected the capacity of your Bank's customers to honour their obligations, for the past due items in the books of the Bank in connection with facilities granted for the financing of imports are quite small.

You will be interested to learn that the total loans and advances granted by your Bank constitute over a third of the total loans and advances granted by the entire banking system.

In the expansion of well-secured loans and advances the Bank's Credit Investigation Department referred to in my last year's statement has played an important role. As anticipated, it was a little difficult at first to persuade borrowers to provide information which had not previously been furnished to banks in this part of the world. Customers, however, soon found this department of positive value in keeping their own houses in order and are now much more ready to furnish any information the Bank may require to assess the risks involved, the purpose of the loan, the applicant's capacity to make repayment according to an agreed programme and other factors which are essential prerequisites of prudent lending and wise borrowing.

Shareholders will have observed that the directors have recommended that the final dividend of 6 per cent and bonus of 3 per cent which has been paid for several years be now converted into a dividend of 9 per cent for the reason that there is little material difference between a bonus and a dividend.

SUBSTANTIAL RESERVES

A transfer of Rs.1,150,000 from inner reserves has been made to the permanent reserve, which, with the Rs.350,000 transferred from profits this year, will show the quite satisfactory figure of Rs.4,500,000. Your Bank has reached, after 15 years, the position of being the leading bank in the island largely through a happy combination of circumstances. It was started just before the outbreak of World War II and it has grown in strength through the war and postwar boom years. Further, this Bank being the only indigenous commercial bank of any importance has had the whole-hearted and undivided support of both the Government and the people of this country. This has enabled your directors to put away a major portion of the profits into inner reserves which are substantial, so that the Bank today is strong enough to face the future confident of its strength and ability to withstand even lean times.

We shall continue to have always in view the part your Bank was intended to play in placing the Ceylonese entrepreneur in a position in which he can compete on equal terms with his non-Ceylonese counterpart, and also in carrying the banking habit to all parts of the country. The Government and the people of this country, I am sure, will continue to assist in making the Bank stronger, for its capacity to fulfil the objectives for which it has been established will be dependent on its position both absolute and relative in the banking system of this country.

O.K. BAZAARS (1929) LIMITED

(Incorporated in the Union of South Africa)

NET PROFIT AGAIN LARGER

The twenty-fourth annual general meeting of O.K. Bazaars (1929) Limited was held on December 31, 1953, at Johannesburg, Mr Michael Miller, the chairman, presiding.

The following is the directors' report, which had been issued to shareholders with the accounts for the year ended June 30, 1953:

To the shareholders: Your directors submit herewith in respect of the year ended June 30, 1953:

- (1) The directors' annual report;
- (2) The balance sheet and profit and loss account of the company;
- (3) The consolidated balance sheet and profit and loss account of the company and its subsidiary companies.

DIRECTORS' REPORT

Capital: The authorised and issued share capital of the company has not been altered since last year.

Parent Company's Accounts—Profit and Dividends: The net profit for the year under review, after providing for all expenses and taxation, was £730,551 as compared with £721,093 for the previous year. The amount available for a final dividend on the ordinary shares and to be carried forward is £3,066,756 (as against £2,703,557 last year) arrived at as follows:

1952		1953
£	Balance brought forward from previous year, after deducting a final dividend of 30 per cent paid on January 31, 1953.....	2,508,348
2,008,573	Add: Profit for the year.....	730,551
721,093		3,238,899
2,729,666	Add: Dividends from subsidiary companies out of profits accrued prior to June 30, 1951, net surplus from sale of shares of certain subsidiary companies and amount overprovided for taxation in previous years.....	—
1,160,550		—
3,890,216	Add: Surplus from the sale of an investment in a subsidiary company.....	15,396
—	Deduct: Transfer to general reserve.....	—
999,120		3,254,295
2,891,096	Deduct: Preference dividends..... £57,400	
	Interim dividend of 20 per cent declared June 26, 1953, since paid..... 130,139	187,539
187,539		3,066,756
2,703,557	Balance available as abovementioned.....	
	Your directors recommend the payment of a final dividend of 30 per cent (making a distribution for the year of 50 per cent) to holders of Ordinary, "A" Ordinary and "B" Ordinary shares.	195,209
195,209	This will absorb.....	2,871,547
2,508,348	Balance to be carried forward.....	

CONSOLIDATED ACCOUNTS

Shareholders are referred to the consolidated accounts of the company and its subsidiaries, which present a picture of the activities of the group as a whole. The group net profit, after deducting all expenses, taxation and the interests of outside shareholders, is £834,749, which compares with £812,933 for 1952. Capital, reserves and surplus total £7,666,597 at June 30, 1953; the 1952 figure was £7,196,591. Trading stocks at £4,491,996

were £138,327 more than the previous year.

DEVELOPMENT

The company opened branches during the year under review at Parow (Cape Province), Vanderbijl Park (Transvaal), Hillbrow (Johannesburg), and Bulawayo (Southern Rhodesia), and in the current financial year will open a branch at Kroonstad (Orange Free State). Your directors expect the branch at Worcester (Cape Province), referred to in the chairman's statement last year, to be completed before the end of 1954. The extension to the Johannesburg store envisaged last year has progressed sufficiently to enable the company to trade in the basement, ground and first floors of the new section. In the forthcoming year the old shop will be modernised. The alterations to Paramount Stores, which provide additional trading space, have now been completed.

Since 1942 the company has been trading in leased premises at the corner of Harrison and President Streets, Johannesburg, under the style of "Cash and Carry." The period of the lease has now been extended and the shop premises have been renovated and remodelled. The name of this branch will be changed, with effect from December 1, 1953, to "O.K. Bazaars Harrison Street Branch."

owned subsidiary company; its profit for the year was £14,763.

Sowden and Stoddart, Limited.—Your company holds all the ordinary shares in Sowden and Stoddart Limited, whose profit of £16,950 for 1953 was not as good as in the previous year.

Dok Products Limited has the exclusive franchise for bottling the aerated water known as "Pepsi-Cola," and has now acquired a similar franchise for the beverages bottled under the name of "Canada Dry." The imposition by the Government of an excise tax on aerated waters adversely affected the whole of the mineral water industry in the Union, with the result that the trading profit made by Dok Products Limited was less than that of last year.

CTC Bazaars (South Africa) Limited.—The company continues to hold 54 per cent of the issued ordinary share capital of CTC Bazaars (South Africa) Limited whose trading result for 1953 showed an improvement on 1952. This company proposes to reduce its dividend this year from 12½ per cent to 10 per cent in order to build up its reserves.

Federated Shippers Limited.—Your company received a maiden dividend of £15,000 during the year under review from Federated Shippers Limited.

Fresta Holdings Limited.—Your company has increased its investment in Fresta Holdings Limited by £25,000. This company, through subsidiaries, operates a large store for Europeans and five trading stores for natives in the Orange Free State goldfields area.

DEBENTURE BONDS

A 6 per cent debenture issue for £1,200,000, redeemable at 2 per cent per annum commencing in 1958, was arranged through Syfret's Trust Company Limited. As security, certain fixed properties of the company, registered in the names of subsidiaries, were mortgaged. Whilst your directors were and still are of the opinion that mortgage bonds are not the best method of raising funds, they considered that in the present circumstances it was prudent to adopt this method of financing the company. Coincidental with the passing of the debenture bond, it is necessary for the company to alter its Articles of Association in so far as the provisions relate to the borrowing powers of the company. An extraordinary general meeting of the company will be convened for the purposes of submitting for the sanction of shareholders a special resolution adopting new borrowing powers.

GENERAL

This year, as in previous years, bonuses were paid to the staff.

The directors take this opportunity of thanking the senior executives and other members of the staff for their continued enthusiastic co-operation and loyal and efficient services.

RESOLUTIONS OF SUBSIDIARY COMPANIES

In terms of Article No. 90 of the company's Articles of Association, your directors report the following resolutions which were passed by the subsidiary companies:

- (1) O.K. Bazaars (Randfontein) Limited: September 5, 1952.

"That the directors of the company be authorised to borrow from time to time for

Early in the new year a start will be made on rebuilding the Durban store on the existing site and the adjoining stand purchased for that purpose some time ago.

The company acquired during the year under review the property in Vereeniging, where it has been operating on a lease basis.

OTHER INTERESTS

Raphael Bros., Limited.—There has been an improvement in the trading of this wholly

the purposes of the company such sum or sums of money as they deem fit without limit or restriction."

(2) O.K. Estates Limited: June 5, 1953.

"That the company's Articles of Association be amended by deleting Article 10 thereof and substituting the following Article 10:

"10. Clause 51 of 'Table A' shall not apply. The directors may from time to time raise or borrow from members or other persons, companies or corporations, any sum or sums of money for the purposes of the company with or without security, for such period, and upon such terms as they in their sole and absolute discretion may deem fit; provided that the aggregate amount at any time borrowed or raised by the company's

holding company and all its subsidiary companies for the time being (excluding moneys borrowed or raised by any of such companies from any other of such companies, but including any outstanding guarantees or suretyships given by the said holding company or any of its subsidiaries for the time being for the share capital or indebtedness of any other company or companies whatsoever and not already included in the amount of the moneys so borrowed or raised) shall not without the sanction of an ordinary resolution passed at a general meeting of the holding company exceed the total of (i) the nominal amount of the issued and paid up share capital for the time being of the holding company, and (ii) the aggregate of the amounts standing to the credit of all capital and revenue reserve accounts (other

than reserves created by the writing up of any assets) any share premium accounts and the profit and loss accounts as set out in the consolidated balance sheet of the holding company and its subsidiaries certified by the holding company's auditors and as attached to or forming part of the last accounts of the holding company which shall have been laid before the holding company in general meeting at the relevant time, but no lender shall be bound to see that this limit is observed."

Clause 86 of "Table A" is amended accordingly.

On behalf of the board,
S. COHEN }
M. MILLER } Directors.

The report and accounts were adopted.

FIRST GARDEN CITY, LIMITED

GROWTH OF LETCHWORTH

CHAIRMAN'S SPEECH

The fiftieth annual general meeting of First Garden City, Limited was held on January 7th in London, Sir Eric Macfadyen, MA, JP, chairman, presiding.

The following is an extract from his circulated speech:

The year 1953 was the golden jubilee of the town of Letchworth and the company. First Garden City, Limited, was formed to provide a working model of Sir Ebenezer Howard's conception of a 'self-contained town in which overcrowding and unwholesome industrial conditions were to be avoided, and many of the advantages of life under rural conditions were to be ensured for the workers in industry.

The original plan ensured that development should proceed on coherent and far-sighted lines. To this day the most valuable site in the town, from the profit-earning point of view, awaits development. The estate comprises 4,710 acres, of which 3,010 acres are included in the agricultural belt which surrounds the 1,700 acres set aside for the town.

We let our first factory site in November, 1903. Today Letchworth can boast of some 60 large factories, besides many small workshops, covering heavy steel foundries, motor vehicles and motorised implements, furniture, water heaters, chains, presses, scientific instruments, farm and garden tools, printing machines, printers and bookbinders, parachutes, perambulators, calculating machines, corsets, embroidery, knitted goods, bacon, margarine, etc. Between them they find employment for some 11,000 workpeople, and as a result of the exceptional diversity of industrial activity the town has been practically immune from unemployment, even in times of depression. Letchworth is now two-thirds full; I foresee that very

shortly the problem may well be how to stop it growing too big.

The report and accounts were adopted.

FREE, RODWELL & CO., LIMITED

A SATISFACTORY YEAR'S TRADING

The sixty-first annual general meeting of Free, Rodwell & Co., Limited, was held on January 4th in London, Mr Eric C. Dawnay, TD (the chairman), presiding.

The chairman in his circulated statement paid a tribute to the services rendered to the company by the late chairman, Sir Cecil Rodwell.

The statement continued: I am pleased to be able to inform you that the company, and its subsidiary, has made a trading profit of £51,482 for the year under review, which is approximately £20,000 greater than in the previous year. The net profit of £31,000 is up by £15,283 on the preceding year. You will recollect that this is the first full financial year of your company in which its subsidiary, Maltings (Peterborough) Limited, has operated. That company made a profit of £2,900. I think that you will regard the past year's trading as satisfactory.

From a perusal of the consolidated balance sheet you will observe that the company's position remains strong, and that current assets at £717,847 exceed current liabilities of £548,767 by £169,080.

Your board recommends that a final dividend to holders of ordinary stock of 13 per cent, less tax, be declared and paid, making a total dividend for the year of 20 per cent, less tax.

Owing to the difficulties in foreseeing the profit which the company may make in a full year after only six months' trading, it is proposed, in future, to pay not more than a 5 per cent interim dividend, unless conditions make the payment of such a dividend of this amount imprudent.

The company's staff has worked well and loyally during the year, and it is my wish to record a tribute to their efficiency and efforts on behalf of your company.

The report was adopted.

HOULDER LINE LIMITED

FAVOURABLE TRADING RESULTS

The annual general meeting of Houlder Line Limited will be held on January 29th in London.

The following is an extract from the statement of the chairman, Mr Walter C. Warwick:

In my statement last year I referred to the substantial deterioration that had taken place in the general freight markets. Unfortunately this tendency has continued during 1953, as is indicated by the index figure for tramp freight rates which in January last was 79.3. Since that time this low figure has shown small fluctuations from month to month, the index figure for November being 73.8.

This decline both in freight rates and volume of tonnage is to a lesser extent affecting the liner companies and there seems little reason to expect any material improvement in general trading prospects in the near future.

Unless substantial relief of the taxation burden is afforded it is no exaggeration to say that it must spell the doom of British shipping as our rapidly diminishing capital resources render it impossible to face up to any substantial ship building programme in the future.

Having regard to the many difficult conditions we have had to face during 1953, shareholders will, no doubt, appreciate the favourable trading results that have nevertheless been achieved. We are well able to maintain our modest dividend distribution of 7½ per cent less tax, and the financial position continues sound and satisfactory.



There must have been much Victorian speculation as to where the arrow "FELL TO EARTH".

Woven Glass Fabric was not a shot in the dark. We realised that it had unique properties which would have a revolutionary effect on industrial production. Today its virtuosity is being proved by technicians and creative designers in many varied fields. Could it be the means of opening a new approach to your research and development?

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The University is offering one or more Simon Fellowships for advanced study or research in the Social Sciences, this term being construed in a wide sense. The Fellowships are tenable for one year with a possible extension to two years. Values within the range £700-£1,100 per annum (Simon Research Fellowship) or within the range £1,150-£1,500 per annum (Simon Senior Research Fellowships), according to qualifications and experience. They are open to members of the public services as well as to persons with academic experience. Applications should be sent not later than March 1, 1954, to the Registrar, the University, Manchester, 13, from whom further particulars may be obtained.

UNIVERSITY COLLEGE OF SWANSEA

Applications are invited for appointment to the Chair of Political Theory and Government. The appointment will date from October 1, 1954. Initial salary £1,700 per annum with superannuation and family allowances. Full particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, to whom applications must be sent by Monday, February 15, 1954.

PRINCIPAL of large progressive London importers and merchants requires mature able man as personal staff officer. Good industrial or commercial experience essential. Work will be hard and interesting and post holds exceptional opportunities and will be well paid. Writers of good initial letters will receive *pro forma* application form.—Box 419.

MARKET RESEARCH.—British Nylon Spinners Limited require an Economist for an appointment in their Market Investigation Unit at Pontypool, to undertake statistical interpretations and preparation of forecasts, including the study of consumer habits. A good degree in Economics is essential and candidates must have a liking for analytical work. Some previous industrial experience would be an advantage. Apply to Personnel Manager, British Nylon Spinners Limited, Pontypool, Mon.

CANADA.—Englishman (42) seeks opening with prospects. Qualifications: Chartered Accountant; Bachelor of Laws (London); knowledge French, over 25 years' experience accountancy profession in England and as accountant and executive in commerce and insurance abroad. Available for interview in London during next two weeks, then Montreal.—Box 421.

The better life of Mrs. Jones

Mrs. Jones looks down the rows of bright, hygienically sealed tins and packets on the grocer's shelves. In a glance she sees what she wants, the names to ask for, and exactly what to expect from what she buys. Follow Mrs. Jones home. She has a vacuum cleaner, a washing machine, a modern cooker, perhaps a refrigerator. Her home is full of inventions to save her work.



Grandma Jones was confronted by sacks, tins, boxes of lones anonymous products exposed and manhandled at every stage from raw materials to final consumption.

Yes. House-keeping is far easier for Mrs. Jones than it was a generation or two ago. This is not merely a matter of higher incomes. All these good things of life have been made known to Mrs. Jones by advertising. It is advertising that creates mass demand and makes mass production with lower costs possible. Goods which without advertising could only be custom built for a wealthy few are now within the reach of millions. The superficial statement that advertising is an uncompensated cost which can only increase prices is far from true. Advertising means better goods for more people. And to touch on a deeper question, the stabilising effect of advertising on demand is a powerful influence against the sales depressions and consequent unemployment which are a constant danger in the trade cycle.

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better goods for more people**



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The Economist

FOUNDED 1793

JANUARY 16, 1954

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High Stakes in Germany

NOTHING is certain about the conference that begins in Berlin ten days hence save that it will be hard to follow. Had the western governments stuck to their guns and not been distracted by Sir Winston Churchill's wish to reconnoitre the Soviet lines in person, the exchanges would have been about the unification of Germany in freedom. As it is, the way is open to discussing everything under the sun: the claims of China, the pooling of atomic materials, east-west trade, Mr Molotov's fears of America and America's fears of Mr Malenkov and rival plans for the organisation of Europe. It would be wise to reckon that talking may go on for three or four weeks without revealing whether any basis of agreement on Germany can be found. If the Russians have their way it will drag on much longer.

However that may be, the important thing for the western powers is that public opinion should keep its eye steadily on the ball marked "plans for German unity." Others will be kept in the air to confuse the mind; but this is the one to watch. If it falls to the ground that—so far as Europe is concerned—is the end of profitable discussion. Progress may be made in other directions: for example, there is every reason to encourage Soviet-American contacts on plans to pool atomic materials, and to encourage the discreet and courteous diplomatic methods by which progress has so far been made in this matter. Otherwise, the Berlin conference should be judged useful or futile, according to the progress that it achieves on the problem of Germany. And such a judgment will be difficult for ordinary people unless the issues involved are firmly kept in view.

The basic principle of the western governments is that Germany should be united in freedom by the methods of the free democracies. (The distinction between "free democracies" and "people's democracies" is one that the Russians will try hard to blur.) They therefore put first the establishment of conditions in the Soviet Zone that would enable 18 million Germans to vote secretly and without fear. In the opinion of politicians in western Germany, this would require at least six months of free contact between east Germans and west Germans and the dismantling of the police and party system in the east. Germans there must be convinced that there would be no reprisals against anti-Communist voters, and that—for example—house warders who spy on flat-dwellers would be removed. This seems to some people a lot to ask; but it is the minimum requirement for a truly representative all-German government.

After elections in these conditions—so runs the western case—the all-German government would take part in negotiations for a peace treaty with the four occupying powers. From the first the question would arise: what are the frontiers of the Germany with which peace is to be made? What is to be done about the Saar and the Oder-Neisse frontier with Poland? The Russians would be in a poor position to argue for the present eastern frontier and to ask for a

western guarantee of its permanence. For the freely elected all-German government would presumably contain hardly any Communists to support the abandonment of German territory.

The third main feature of the western case is that the new united Germany should be as free to join alliances, or to abandon sovereign rights together with other countries to a European organisation, as the Federal Republic would be under the Bonn Convention and the European Defence Community Treaty. It should be free to join France, Italy and the Low Countries in a European community, and to join the United States and Britain in an Atlantic community.

The Soviet conditions are, of course, quite contrary. Their purpose is different; their order of events for the unification of Germany is different; and the results of their application would be fundamentally and critically different. First and foremost Mr Molotov puts a peace treaty based on the Potsdam agreement of 1945, which would involve the western powers in confirming the Oder-Neisse line and the "neutralisation" of Germany. If they refused, then they would be represented as sacrificing the opportunity of agreement with Moscow to their desire to rearm the Germans as allies. Then a provisional government would be nominated, not elected, by the Grotewohl-Ulbricht clique in Eastern Germany working with West German politicians. These would not be the supporters of Dr Adenauer. Such a body would be unrepresentative, for events have shown how hollow is the claim of the Soviet Zone government to represent the 18 million East Germans, and how overwhelming is the majority of 50 million West Germans who support Dr Adenauer.

This "provisional government" would then prepare "free elections" and would give its views on the peace treaty agreed between the occupation powers. By various means these elections would be weighted in the Communists' favour; and, most important of all features in the Soviet plan, western troops would have had to withdraw from Germany while the Soviet troops made a short retreat across the Oder.

The purpose of all this has been made clear by a Soviet commentator in these words:

It is necessary to exclude any foreign interference in order to make the all-German election truly democratic. Elections are a purely German affair. Elections should be carried out with a view to eliminating any pressure on the electorate by the big monopolies. On the contrary, they should ensure freedom of action by all democratic organisations. The preparation and holding of these elections should be left to a provisional, all-German democratic government.

If Mr Molotov and his German allies had their way, the peace treaty would contain clauses prohibiting industrialists (that is to say, supporters of Dr Adenauer) "militarists," and "Hitlerites," from having any hand in the working of the new German state. Anyone propagating "anti-peace views"—that is to say, criticising Communism or the Soviet Union—would be

proscribed, whereas such so-called "democratic organisations" as the Communist-controlled Free German Youth and East German trade union headquarters would put up candidates. The "provisional government" would then draw up a constitution to be confirmed by the electors. The same Soviet commentator has made it clear that this would mean a root and branch revision of the present West German Constitution, which is denounced as "permeated by an undemocratic spirit" and as "consolidating the hegemony of monopoly capital and the Junkers who were the backbone of German militarism." Herr Selbmann, one of the East German Communist ministers, has exuberantly crossed the t's and dotted the i's of these pronouncements by declaring that the Red Flag must wave over Germany.

★

That, indeed, is the heart of the matter—what flag will wave over united Germany? A Soviet flag that already exists or a European flag that has yet to be created? That is really what the Berlin conference will be about. For it is obvious that a state set up according to Soviet ideas would be prohibited from joining the European Defence Community or Nato and would have to break from the coal-steel pool. True, it would have an army; the Russians have one ready in their zone, 75-85,000 strong, trained and controlled by Communists and collaborators. The presence of the Americans and the British would be deemed superfluous to safeguard the neutrality of a state protected by a Communist-controlled army.

That would be the end of the story: allied withdrawal and the gradual attraction of all Germany into the Soviet sphere. Some think this is an exaggeration; but the evidence for the conclusion in Soviet and East German sources is ample and candid. The Russians are struggling to win Germany; the Western ministers cannot allow them to succeed. If they stick firmly to their insistence on free elections they keep Mr Molotov in a position of embarrassing weakness. Almost certainly, he cannot accept the demand; but to refuse it is to expose him and his case before the eyes of all Germany. His line of escape is to demand that it should all be "left to the Germans"; so his allies in Eastern Germany have for weeks been searching frantically for West German politicians who will talk with their nominees—about almost anything. So far the effort has failed; but if Mr Eden and his colleagues falter, if public opinion behind them gets bored with the principle of "free elections first," then German collaboration will begin.

Why, it may be asked, should Germans not get together, as Mr Molotov is likely to suggest? Why not let Easterners and Westerners consult, to arrange elections and negotiate on technical matters including, as the Social Democrats have proposed, the vital matter of establishing a common currency between the two Ger-

manies? The question may well be heard from such quarters as the British Labour Party. The answer is two fold. First, such collaboration would hold up indefinitely and finally make impossible Western Germany's integration with the West; it would destroy the position of Dr Adenauer who opposes such methods even at the risk of appearing opposed to German unity.

Can Labour Face Itself?

THE mood of Parliament, when it reassembles on Tuesday, is easy to foresee. On both sides there is, below the surface, more apprehension than lust for party warfare. This year is likely to provide the decisive test of both parties in their present roles, of modern Conservatism in office and of the postwar Labour party in opposition. Since 1951 the Government has had too much good luck and the Labour party has been too turned in on itself, on its own doubts and disputes, for either to be fairly tested. For the Government, tougher times are now almost certainly at hand. As an environment for economic policies that can be at once successful and popular, even the mildest American recession would be distressing compared with the improving terms of trade, joined to continuing American prosperity, that have been enjoyed for the past two years. On the other side, the Opposition is now as united as it is ever likely to be. The policy approved at the Margate conference last year will have to serve, for good or for ill, as the basis of Labour's appeal to the country at the next general election.

The revised version of this "Challenge to Britain," now published, rounds off the process of rethinking and reshaping policy that began as long ago as 1948, when the Labour Government had already exhausted the impetus of the ideas of 1945. The outcome is bare in new ideas, but it reflects considerable ingenuity in embracing new compromises. The question that will now be tested in Parliament is whether the compromises are more than paper work, whether the party can make them in fact the guide lines of its actions in the day-to-day business of opposition. This is a matter more of spirit than of detailed prescription. The essence of the "Challenge to Britain" is that it proffers the country more from the same machine. It does not propose to change the machine; it does not express the revolutionary purpose that powered the Socialist movement in the days of discontent—the spirit that the movement's emotional conservatives, such as Mr Bevan, wish at all costs to sustain.

This is the fundamental sense in which the compromises of "Challenge to Britain" are far nearer to the Right than to the Left. The right-wingers are those who believe that the present apparatus of the mixed economy and the welfare state is adequate for the purposes of British socialism. They want to modify it a bit. They want to work the machine differently (but not all that differently) from the way the Tories work

Secondly, it would mean the gradual slipping of the links that bind Germany to America, Britain and France. For the idea would quickly spread that Germans could deal with Germans, outwit both the Russians and the Atlantic group, take up a middle position in Europe, and return to the dangerous and tragic path that they have followed for nearly a century.

it. They claim to be able to get more out of it—equal pay, bigger pensions, and so on. But that is all. They do not propose to nationalise more industries. They do not follow through the theory and emotions of socialist gradualism. That would require a further instalment of the measures of 1945, when the Labour party was able to be, briefly, all that it wished. With large changes in the ownership of industry and in the basic structure of the social services, Labour in 1945 felt itself to be the agent of a revolution without requiring its leaders to be even the mildest of revolutionaries.

The programme of action for the next Labour Government contains nothing of revolution. It is a large programme only in the social benefits—or bribes to voters—that it holds out. Unlike that of 1945, it is not a programme of change in the economic and industrial machine, or at least it proposes no changes that are both fundamental and definite. If the last Labour Government presided over a revolution by consent, the next will be—or will have got itself elected as being—mildly reformist. This is the fact but it is not the mood of politics in 1954. The Labour party has a divided view of the fact. The majority of the party wants a reformist policy; yet also loathes it and wishes it away.

★

Labour's electoral interest lies, plainly, in having its reformist moderation recognised and understood by the public at large and especially by marginal voters. But this external face on things conflicts utterly with the internal attitude that pays the policy-makers in dealing with their own followers. The emotions and idealisms of the Labour movement remain more revolutionary than reformist. Though the head thinks otherwise, the party's heart is still more in turning the boss out of the factory—in "taking over the levers of economic power," as the left-wingers see it—than in legislating for bigger pensions. In truth, Labour's declared policy is now to leave the economic structure of the country much as it is, but within the movement this is a disagreeable truth that few Labour politicians like to mention or perhaps even to admit to themselves.

The penalties of the divided attitude are plain. They have been demonstrated many times in the House of Commons during the past two years. The party's negative criticism is divorced from its positive policy. The passions that good sense submerges, in a document

like "Challenge to Britain," are allowed all the more to sway party meetings and parliamentary debates. The party whose colonial policy the Conservatives have taken over tries nevertheless to criticise that policy as if the Conservatives were repressive monsters. The party that proposes to leave almost all industry in private hands nevertheless talks in Parliament as if all dividends represented the blood-sucking machinations of private monopoly capitalism. And so on. It may promise to follow its right-wing leaders in office, but the Labour party cannot consistently repress its left-wing feelings in opposition. Much of the time it would like to talk as if the Tories were reactionaries and it was itself revolutionary. Since in practice that would be too silly, Labour in opposition generally succeeds in being neither reformist nor revolutionary but more often irresponsible and incoherent.

★

This has been the painful experience of the past two years. The question is whether any improvement can now be hoped for. The Bevanite quarrel is at last subdued and the right-wing's reformist policy is definite and accepted. Perhaps more important, the party's policy-makers must now be beginning to count the cost of the bigger pensions, free doctors' prescriptions, more education and the like to which

Made in Sheffield

BY A SPECIAL CORRESPONDENT

BY all the laws of geography and economics, Sheffield—the fifth city in England and producer of half of the total value of Britain's steel—ought not to exist at all. Nature can rarely have designed a moorland valley less promising for industrial development than the nook in the Pennine hills where Sheffield has grown. It has never been a market centre; it lies, almost surrounded by bare uplands, on the route to nowhere. True, it had water power, iron ore and millstone grit which enabled it to grind knives long before the mechanical age; and later the existence of local coal helped it to hold its own throughout the vicissitudes of the nineteenth century. But these natural endowments are almost commonplace in the north of England, and in other areas one need not burrow through the Pennines to reach them.

Sheffield's trump card has been a social asset rather than a natural one. It is the local skill in handling metals that has always kept Sheffield just one jump ahead of its rivals. The city's leading industries at the present time—steel and engineering, cutlery and

that policy has committed them. The answer is probably more than £300 million a year, and within the lifetime of the next British Government the annual cost of the existing social services will also rise by some £250 million because there will be more old people and more children of school age. Together, these are formidable extra demands on the British economy. The Labour party no longer pretends to have any miracle-working devices of nationalisation or the like that would enable the country readily to enjoy such benefits. They have to be got, according to Labour's own policy statement, out of the economy as it is—in essentials—and in the teeth of very difficult external circumstances. Labour's ability to keep its promises plainly depends on its ability to make that economy work better. And, equally plainly, this will not be achieved by men who behave in opposition as if they wanted to put every existing policy in reverse.

In its great days, in the triumph of 1945, the British Labour party claimed to be facing the future. The political need of 1954 is that it should face itself, that it should admit the truth about itself. The policy on which it now stands before the country is one of making relatively few changes, and the convincing technique of opposition is therefore not a broad but a narrow-fronted attack. Labour is entitled to question the present Government's understanding and administration, not its motives or most of its principles. In that way, and that way only, Mr Attlee and his colleagues could rehabilitate British politics and themselves.

silverware—seem to be located in Sheffield for one reason only: they are all highly skilled manufactures in which the things that Sheffield men can do to the raw material make it worth while carrying that material half across England to do it.

The city has inherited a great tradition; the label "Sheffield Made" has great selling power. But in a competitive world no city can live on its reputation alone, without earning it afresh year by year. Up to date, Sheffield has succeeded in doing this. "Make a better mousetrap," said Emerson, "and the world will make a beaten path to your door." For two centuries Sheffield has been making a succession of better and better mousetraps, and sure enough the path has been beaten to its door. The railway companies were compelled to tunnel under the Pennines and lay difficult routes up the steep valleys specially to link London and Manchester by main line to a city that grew so obstinately out of the way; and today the city's importance is taken completely for granted by people who never realise what a minor miracle its mere survival

implies. But the rest of the country might probe that miracle to its advantage.

Although famous for its cutlery, Sheffield is really dominated by steel making and engineering. It has had to fight to retain and develop these industries ever since Bessemer's invention shifted cheap steel-making from the coalfields to the ports and Thomas's invention shifted it again to the phosphoric orefields of Lincolnshire and Northampton. It has won through partly by the location of open hearth steel plant close to an engineering market which in turn gives it back scrap; and partly by a specialisation on alloy and high-grade steels that it regards as normal and its rivals regard as odd. "The stuff other places turn out" says Sheffield, "isn't real steel; it's just iron with a handful of carbon thrown in." And South Wales dismisses Sheffield with "Not real steel-makers like us; they just fiddle around with little bits of fancy stuff."

Wartime expansion in this kind of specialised steel-making was very great, so Sheffield has little share in the current programme to extend Britain's total steel capacity. But earlier misgivings about possible over-expansion appear to be quite forgotten. Little of Sheffield's steel goes abroad in the raw state; nearly all of it goes to engineering firms, where it is incorporated, in smaller or large quantities, into every variety of product from safety razor blades to marine propeller-shafts. This means that its ultimate market is impossible to analyse, and in particular it is the merest guesswork how much Sheffield's sales depend, at second or third or fourth hand, on exports or on rearmament. But clearly, in both cases, the answer must be a great deal. The future of special and alloy steels, therefore, depends to a disturbing extent on factors outside the industry's control, and this has flung into Sheffield's face the familiar challenge to innovate or die. Hence, for example, the ever increasing sums spent on research and the determined efforts to make fine springs that can challenge the old Swiss-Swedish monopoly in the British watch and instrument market.

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The centre of gravity of Sheffield's economy, in terms of employment and output, lies in its vast number of engineering works, which make everything from giant marine machinery, guns and crankshafts to dentist's files and the proverbial pin-head. Their organisation, their problems and prospects, are bound up with those of steel-making at one extreme and of the cutlery and handtool trades at the other. Cutlery is the city's oldest and best known industry. In this town it means not only knives and forks, but scissors, saws and scalpels and endless other implements. Before the war, about one third of Sheffield cutlery went abroad, mostly to the British dominions and colonies; now foreign sales are nearly two thirds, a reflection of purchase tax at home and a postwar boom in markets abroad. But the foreign market is getting tougher, and herein lies the second challenge to Sheffield's prosperity. Quality

goods, which are the mainstay of cutlery exports, continue to find markets, but in small batches of "exclusive" lines and only at a cost in salesmanship, display-packaging and advertising that was undreamed of a few years ago. Sheffield's answer must lie in "new ideas, specialities, trying this here and that there and being ready to scrap what doesn't go and try something else"; the words are those of a cutlery manufacturer whose own chief success has been in exporting Victorian-style table ware, made up in sets suitable to American eating habits.

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Good cutlery manufacture has always involved a multiplicity of separate processes and skilled handwork, a state of affairs leading naturally to a proliferation of small units, outworkers and small masters, with all that that means in under-employment, low earnings and out-of-date methods. Here again the bewildered economist who visits Sheffield is on familiar ground, with something to complain about but no clear idea of how to put it right. Easy talk about standardisation and production flow is meaningless to a firm that lives by snatching orders for an exclusive batch of serrated steak-knives for Minnesota or of pearl-finished pocket knives for the East Indies. Exhortations to imitate the Swedes or the Germans, who are investing fabulous sums in new plant, draw hopeless shrugs from the owner of a small family business with a long history but a short bank balance. Co-operation either in production or selling seems to be almost unthinkable between these Yorkshire individualists, whose designs and techniques are so competitive. The casual observer can easily be persuaded that the industry has no future worth the name; and cutlery, silver plate and hand tool makers are disturbingly willing to pause in the middle of still-booming business to agree with him. But, tucked away in back rooms or little side streets, these Jeremiahs are developing on the quiet some revolutionary techniques. The future, though puzzling, may not after all be darker than it seemed to be in 1913, when Brearley, right here under their noses, invented stainless steel, the stuff that seemed as if it would make cutlery last for ever.

There is nothing showy about Sheffield. Unlike the typical mercantile city, it has no fine public buildings, no great tradition in art or music. Leeds, its jealous rival, wears a dignified, metropolitan air by comparison. Sheffield, under its pall of smoke, has no true city centre, its warren of hilly streets shows no discernible civic pride, and its Corporation has not even managed to make a worthy collection of Old Sheffield Plate before the last beautiful pieces vanish from the antique market. If the city has a heart, it lies in the Public Library, whose importance as a focus of interest and enlightenment is quite unusual even in the north. Between its seven river valleys high stony spines run right into the heart of the town, offering little foothold for building and crowding both factories and working-

class houses into shocking congestion in the valley bottoms. There is room for a British Corbusier to make his name in Sheffield; and a bold city council, which envisages the possibility of building fourteen-storey blocks of flats in the very heart of the city on these commanding sites, would dearly like to find one.

But in two most enviable respects Sheffield is unique among British cities. The first is the beauty of its natural setting among the hills. It is "a dark picture in a golden frame"; the clamour, congestion and dirt where its people work strike a startling contrast with the finest scenery in England where they spend their evenings and week-ends. There are considerable

Dealing with China

AS the foreign ministers prepare to come together in Europe, the Far East seems relatively quiescent. But this appearance could hardly be more misleading. In fact, the Far Eastern tensions are much the tighter: in Indo-China the only open war in the world is still being fought, and in Korea two great armies, totalling a million and a half armed men, still glower at one another across a tenuous dividing line. The undeclared war of 1950 has not yet been closed by anything resembling a peace settlement, not even by the kind of makeshift settlement that has held for the past few years in Europe. Even if the crisis that threatens next week, when the time limit for detaining prisoners is reached, can be successfully overcome, the Korean situation will remain ugly. And the problem of Korea obstructs the settlement of the whole nexus of other Far Eastern problems: not only those familiar Chinese puzzles, Formosa, trade, and the UN seat, but also the security and stability of Japan, Hongkong, and all South-East and Southern Asia, including India.

As matters now stand, three different debates on Korea and its context are in prospect. The Russians have served notice that they will raise at Berlin the question of Communist China's right to join the other four powers in council; merely to refute this claim will involve the West in a restatement of positions on Korea. The Indians have called for a special meeting of the UN Assembly; this, they apparently hope, will at least free India of its responsibility towards the prisoners. Meanwhile, the allied nations that fought in Korea still seek to bring into being the political conference envisaged in the armistice terms of last July.

For this meeting the Communists have shown no enthusiasm. They could have had a Korean conference, on the lines set out in the armistice terms, as long ago as last October. They have preferred to block all progress by insisting on conditions that they already knew to be unacceptable to the UN side. They have not been budged from their stonewalling attitude even by

grouse moors and no less than fifty-two farms actually within the city boundary, and the playground of the Peak District lies at its doorstep. The second unexpected attraction of Sheffield is the indefinable air of romance that haunts the ugly, smoky streets. This is partly the effect of the dramatic glare of furnaces against the night sky; and partly of the names of its great workshops—Firth, John Brown, English Steel and the rest—names that have made history and are making it today. But most of all there is the throbbing realisation that this is a community devoted to making important things, and making them in an inventive and exciting way.

the exigencies of the agreed timetable, which required the conference to come into being before Christmas if it was to take up the matter of the prisoners. They have treated the UN Assembly with contempt; they have met UN restraint with insults, and UN concessions with intransigence. In sum, while repeatedly claiming, as Chou En-lai did last week, that their most urgent wish was a Korean conference, they have behaved as if it was the last thing they wanted.

Why, indeed, should they want it? It is hard to see what they could hope to gain at such a conference. A united, Communist Korea would not be granted them; a divided Korea they already have. Now that the economic strain of supplying a fighting front, and keeping North Korea afloat under a hail of bombs, has been lifted from China's shoulders, the Peking government probably finds it convenient to keep its toughest troops and most successful generals away from home. There is thus no reason to suppose that Peking would welcome a settlement that obliged it to withdraw its armies from North Korea, where a rising against the enfeebled Kim Il Sung regime might follow.

Vastly more attractive, from the Communist viewpoint, is the idea of China's participation in a global Big Five conference. This would, indeed, kill a number of highly desirable birds at one fling. It would force the United States and France to recognise Mao's government. After that, possession of the veto-wielding seat at Uno would surely follow; and Peking would doubtless take the first opportunity of branding Chiang Kai-shek as a rebel and demanding that Uno should forbid any member power to help him. A Big Five meeting would, moreover, acknowledge China not only as one of the Great Powers but also as the one and only great Asian power—and hence the natural father of the family for which India can, apparently, provide nothing stronger than maternal benevolence.

Mere attendance at a five-power conference would, therefore, set the Peking government a long way on the road to its essential objectives, objectives to which the fate of Korea is irrelevant. But five-power talks would also have an important negative quality for China. The kind of global ding-dong that Malenkov and Mao seem to have in mind would provide the Communists with ample room to swing all their pet weapons—vague but attractive slogans, obsessive repetitions of old accusations, and so on—without any risk that they would have to take on binding commitments. It is not difficult to foresee that China, at the end of any such conference, would still have forces in Korea without giving definite undertakings about South East Asia or Japan.

Nevertheless, it is persistently argued in many quarters that the western powers have a moral and juridical duty to accept China as one of the inner council of five, and that common sense also dictates this course. But these arguments will not hold water in present circumstances. Peking's juridical claim to the privileges assigned to China in the UN Charter is overridden, for the time being, by the simple fact that it has been declared an aggressor by the UN Assembly and has not yet yielded up its booty. Its moral claims meet the same obstacle. As to common sense, a settlement with the new China must indeed be reached before a settle-

ment of the Far East as a whole can be remotely possible. Lately, the free nations' views on this matter have come appreciably closer together, although Sir Gladwyn Jebb's references to it on Wednesday seemed conspicuously ill-timed to encourage this unity. But it is not yet fully grasped that such a settlement can be reached only by hard bargaining. If the Peking government is handed all it wants on a plate what inducement can thereafter be offered to make it respect its neighbours' privacy?

To speak of hard bargaining is not to rattle a sabre. Since the armistice, the UN side in Korea has given sure proofs that it has no intention of reopening the war. Not only have the Americans curbed the restive Mr Rhee; they have also publicly announced a reduction of their forces in Korea. This is exactly the opposite of what an intending attacker would do. Bargaining, on the other hand, calls for both restraint and firmness. If lasting peace is to be brought to the Far East, the free nations will have to match the almost limitless stubbornness of the Communists with an equally inexhaustible patience. To shift the debate, out of sheer impatience, from the apparently sterile Korean talks to a five-power "talkathon" would be a disastrous move.

Notes of the Week

Aiding Parliament's Digestion

WHEN Parliament reassembles next Tuesday Ministers will have to keep their Bills moving briskly through the machine if they are to avoid congestion later. The programme for the session, on which a good start was made before Christmas, is the most ambitious yet attempted by the present Government—as ambitious, perhaps, as some Governments might care to risk with far larger majorities. Of the Bills already launched those dealing with rents and with safety regulations in mines and quarries are of great complexity, while the proposals for leasehold reform will give the lawyers many happy hours. There are, however, at least three more substantial Bills still to be published, covering the new organisation for atomic energy, commercial television and town and country planning.

Irrespective of the degree of controversy involved, here are at least six Bills, not to mention two Scottish equivalents, which will require much detailed study by Parliament. Since financial business will demand increasing

attention from now on, the Government cannot hope to complete the programme by the end of July without making fuller use than hitherto of standing committees. It has been understandably loth to use this procedure, especially for controversial measures. Since these committees (normally of 50 MPs) must exactly reflect the party strengths in the full House, the Government's majority in them can only be one, and this can be wiped out by sudden illness. But no vote in standing committee is final; it can always be reversed during the report stage on the floor of the House.

Wisely, if belatedly, therefore, the Government has now taken the plunge; and the Rents and Repairs Bill—controversial, in all conscience—is to go to standing committee. Presumably the even more complex, if less controversial, Mines and Quarries Bill will follow it. Both measures should be ready for committee by the end of next week. The Rents Bill has received a second reading and the money resolution, which has had to be discussed with the local authorities, will come before the House next Wednesday. The second reading of the Mines Bill will be taken on Thursday and Friday. With these measures shunted out

of the chamber MPs will be left a little freer to debate the non-legislative problems that are bound to arise—economic, industrial, diplomatic and colonial. As so often, however, one very delicate matter is apparently to be left to the House of Lords; a discussion has been arranged there for next month on the increase in cases of homosexuality.

Mr Eden Broadcasts

THE broadcast talk on international affairs given by Mr Eden on Monday evening was a victim of the rather shabby Fleet Street convention that what has been heard on the wireless need not be prominent in the headlines. It is, therefore, worth recording three highly important points that he made. First, he insisted on the value of Nato as a deterrent to aggression. "Whatever happens," he said, "we cannot give up this alliance, which is the foundation of our safety and threatens no one." The Foreign Secretary referred also—which is unusual among ministers—to Nato's "immeasurable possibilities for future peaceful development between the Atlantic countries."

Then Mr Eden insisted that if Germany is to be united "the first essential is free elections throughout the country. That is a position we can never abandon." (Why this apparently formal point is of such vital importance is examined in a leading article in this issue.) He added that the Russians might ask for guarantees of their security against a united and revived Germany, above and beyond the treaties that already exist; if so, said Mr Eden, "we are quite prepared to examine new ways of removing their fears." This might be described as the Churchill cadenza in the Berlin concerto. Finally, the Foreign Secretary appealed for a spirit of compromise in Berlin on both sides, while admitting that it is extremely difficult to know just how much time to allow for the spirit to show itself. He observed, quite rightly, that if negotiation shows that Mr Molotov's instructions permit no compromise time is against us. That is to say, projects vital to the security of the West—like the European Defence Community—are held up.

It was a good and firm speech rather than a talk to a mass audience at a peak hour. Ministers and their advisers still give insufficient attention to the technique of popular presentation; and it is time that television as well as sound broadcasting should be used for important occasions. To see a statesman on the eve of an important mission is as important as hearing him; and Mr Eden has been too long out of the public eye.

Reluctant Guerillas

MOST of Mr Frank Foulkes's guerillas have been obeying orders and striking as and when instructed. They may not have done so with the enthusiasm that their Communist leaders would have wished them to display, but

it would be absurd to assert that the strike, as a strike, has been a failure. It would, however, be equally absurd to say that it has yet done much to make the workers' wage claim a success. The absence for a day from construction sites of a maximum of 2,000 contracting electricians does not spell ruin for anyone; this week's antics have not noticeably impeded the national investment programme, the development of atomic energy, the generation of electric power or even the transmission of television programmes from the Lime Grove studios at Shepherd's Bush. The employers have therefore been far less deeply impressed than Mr Foulkes and his lieutenants had expected, and the few contractors who were directly affected were wise to refrain from the lock-out reprisals that they had said they were going to take.

On the other hand, the strike has had some side effects that ought, to say the least, to make the leaders of the Electrical Trades Union pause to think. Whatever Mr Stevens, the union's general secretary, may say, there is no doubt that many members of his union were reluctant to obey his orders. At Scunthorpe last week a majority of the electricians concerned were apparently anxious to remain at work. Asked to explain this, in London a week ago, Mr Foulkes at first denied that anyone at Scunthorpe had been asked to strike this week. His next public appearance, oddly enough, was at Scunthorpe, where he finally persuaded his errant followers to cease work on Tuesday at one construction site and on Wednesday at another. He exercised his persuasive gifts behind locked doors, so that no one can say for certain how the trick was done. But Mr Foulkes must now know, even if he did not know before, that there is a limit to the intransigence that can be infused into people who earn good money working for a good employer.

Engineers and Overtime

THE engineers' wage dispute has now been transferred to the calm, judicial atmosphere of the College of Preceptors in Bloomsbury. The Confederation of Shipbuilding and Engineering Unions has postponed its threatened ban on overtime and piecework and has joined instead in reasoned argument with the employers, represented by Mr Macarty of the Engineering and Allied Employers' National Federation. One of the main features of the argument is that the unions' spokesman, Mr Brotherton, objects to the emphasis that Mr Macarty is laying on the engineers' earnings instead of on their basic wage rates. Mr Brotherton said that it was wrong to suggest that because earnings, which include overtime, have risen, the engineers do not deserve a rise in wages. Although this would, in any event, be an obvious tactic for the unions to adopt, it is a tactic rooted in a genuine feeling along the work benches; ever since the engineers won for themselves the right to work no more than eight hours a day they have been jealous in their insistence that overtime should be treated as the workers' concession to the employers.

This is likely to be a crucial disagreement not only in this enquiry, but in many other industrial disputes now coming up to the boil. Since 1938, wage rates in industry as a whole have kept in remarkably even step with the cost

of living; in fact in 1953 average wage rates seem to have been about 129 per cent above the 1938 level and average consumer prices 128 per cent above it. But in these fifteen years weekly earnings rose by some 200 per cent, while gross dividends rose by only between 40 and 50 per cent. Gross profits, as defined for tax purposes, rose most sharply of all up to 1951; since 1951 they have been falling, although they are probably still between 225 and 250 per cent above the 1938 level. When allowance is made for the greater increases in prices of raw materials and of capital equipment than in those of consumer goods, however, real gross profits have almost certainly fallen behind real earnings in the race. At the engineers' court of inquiry this week the chairman, Lord Justice Morris, asked both sides whether, as a general principle, they thought that there should be any direct relationship between wages and profits. Anybody who attempts to answer this question should define very carefully what "profits" are.

Italy Drifts Towards Anarchy

THE Italian political crisis has become one of the blackest spots on the European scene. Its implications are worse than those of the perennial trouble in Paris because the Italian Communist party is larger than the French and appears to be gaining ground, and because the extreme Right is not held back by the tradition of moderation which prevails in France. Hence the chances of the Italian centre being crushed by its upper and nether millstones are now more immediate and dangerous than those threatening the group of deputies who keep reshuffling themselves in Paris.

At the time of writing Signor Fanfani, the most prominent leader of the left wing of the Christian Democrats, has been asked to try to form a government. This is a logical first step, since it was the left wing of Signor Pella's government that brought him down, by rejecting what it regarded as his drift to the right and his increasing dependence on the Monarchists. If Signor Fanfani fails, it is hard to see where President Einaudi is to look for his next potential premier, except presumably even further to the right than the point that Signor Pella had reached when he resigned. This would certainly fan the flames of industrial unrest on which the Communists have already been blowing with success. If Signor Fanfani succeeds, he can hardly expect to do more than conduct another tight-rope act. And it is hardly likely to last long, unless he can rally the support of all the Republicans, Liberals and right-wing Socialists as well as the right of his own party, the Christian Democrats—a task in which both Signor De Gasperi and Signor Pella failed.

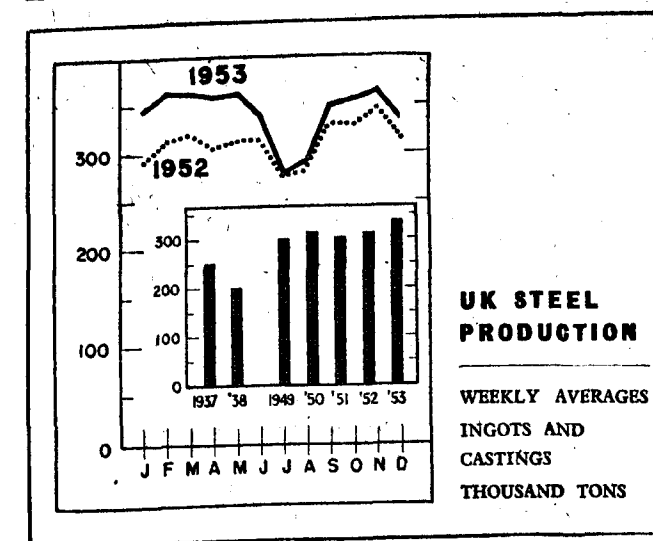
The elections last June, as was foreseen at the time, produced a result that has left Italy practically ungovernable by normal parliamentary compromise. There can be no question of accepting the recently completed recount of votes, which gives the centre coalition—after all—the crucial margin of extra seats it needed for a majority. To do so would be legal, but the Left would turn the country upside down rather than accept it now. Hence, the call for new elections may grow. If Italy has no alternative but to run for the second time within twelve months the risk of left-wing gains, the sooner it does so the better.

Russians to the Polls

IT has been announced this week that Soviet citizens will go to the polls in March to elect new deputies for their parliament or Supreme Soviet. In Stalin's time parliament was a mere puppet institution, registering and fulfilling orders from above, and it is unlikely to acquire any real power in the near future. Hence little importance would normally be attached to the routine renewal of its membership after the constitutional four years' term of office. In the present state of complete uncertainty about Soviet intentions and the balance of power in the Kremlin, however, selections or omissions, breaches of the established ceremonial and the electoral campaign itself may provide significant clues to political conditions.

The general pattern is well defined, and usually there is little room for surprises. In the selection of the 700 deputies to the Soviet of the Union (1 for 300,000 citizens) and of about as many to the Soviet of Nationalities, little is left to the whim of the electors. Over 95 per cent of them go to the polls, but there are no candidates to choose from. There is only one list of official party candidates or "non-party" candidates who had received official blessing. Shock-workers, heroes of labour, local officials get their share of seats; but a sufficient number is scrupulously kept for all the important personalities of the regime. It will be interesting to see whether any now fall by the wayside. Even the attribution of constituencies is significant, since hitherto there has been a hierarchy of electoral districts with Stalin's own at the very top. The electoral platform has also been used for important political speeches. Yet the use of the limelight may prove most interesting. Will it be concentrated "collectively" on a dozen rulers or on one person?

There has been no attempt as yet to restore the "cult of the individual." True, Malenkov, Khrushchev and Molotov appear more equal than the others, but neither has yet made an open attempt to gain supremacy. Only last week the Czechs took note of Malenkov's birthday, but without undue pomp. The Rumanians apparently received last-minute orders to cancel any special programmes. Probably there is a tacit agreement among the leaders not to resurrect the nauseating Stalinist rituals. But will the agreement last?



Lord Simon

COMPARATIVELY few great lawyers can become great statesmen unless they are allowed to act at unhurried moments of world history; America has perhaps suffered more consistently from this than Britain has done. But Lord Simon, who died this week at the age of 80, was a tragic British case in point. Like so many lawyers in politics his actions were guided by two or three major emotions (which are often the same things as principles), but on everything that did not conflict with these he was more than ready to search for the other person's point of view.

He was therefore precisely the wrong man to be Foreign Secretary between 1931 and 1935. His guiding principles were respect for freedom of the individual and a hatred of war (partly because it was bound to lead to long-term interference with freedom); these led him to resign from Mr Asquith's Government in 1916 rather than agree to conscription, and later—in the MacDonald era—they impeded him from taking decisive action at the Foreign Office while the spark of Japanese aggression and the pale flame of Hitlerism grew to the fires that were to consume Europe and Asia. When he moved to the Exchequer he was less obviously adrift; but he had not the economic understanding to initiate a strong policy, and—unlike that other logical lawyer, Sir Stafford Cripps—he could not be a Keynesian because his advisers were not trained to submit Keynesian briefs (which he might well have understood). If war had not broken out in 1939, he would presumably have succeeded Mr Chamberlain as Prime Minister in the early forties; he would have been an able one in any period of normalcy, but his brand of normalcy had disappeared some time between 1913 and 1931.

Because free trade was not one of his immutable principles, he is sometimes regarded as the assassin of the Liberal Party; in fact, however, the Liberal Party declined because the wing that could have been most progressive clung to the one principle that was most outdated, while those that were wise enough to compromise with this principle were usually weak enough to compromise with other forces beside. In each field, therefore—as an international statesman, as a party man, and as a leader of opinion—Lord Simon had a great enough intellect to be a great failure; and therein lies the tragedy of 1931-35.

Local Democracy in Action

THE referendum has never occupied more than a marginal place in British political practice, but it has served to harass local authorities who promote Parliamentary Bills. Under present procedure the local council must first submit its proposed legislation to a town meeting, and any clause that is voted down can be referred to a poll of the local electorate. In theory, this procedure is eminently democratic, besides giving the council two chances to convince the citizens of the wisdom of its proposals. In practice, it has run up on an obvious shoal: very few people bother to turn up to vote, and those who do usually vote "no."

The recent vicissitudes of the Birmingham Corporation

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Bill will strengthen the case for a revision of this procedure. The town meeting which rejected parts of the Bill was reasonably well attended; there were about 1,800 people there, compared with 20 in a recent town meeting at Liverpool. In the subsequent referendum nearly 30,000 people voted, but this was still only 3.8 per cent of the electorate. The voters turned down five of the six clauses under consideration, and conceded approval only to a proposal to restrict the use of loudspeakers in the streets. Thus Birmingham has lost some important parts of its Bill, including the controversial clause that would have given the council a limited control over the letting of rent-controlled houses, but also including some about which controversy seemed rather factious. The poll was exorbitantly expensive. It cost nearly £8 to open a single polling station, and some ballot boxes contained only two votes; the average cost to the council of each vote cast was about 2s. 9d.

A number of useful local measures have been lost in this way through the opposition of very small and unrepresentative groups. But it does not follow that the procedure should be condemned for this reason. British political institutions require very little—perhaps too little—attention or effort on the part of the ordinary citizen. In the United States, for instance, state and local referenda are numerous and attract relatively high polls; admittedly, even there, those who turn up often vote no. But British local authorities are meant to be primarily administrative, not legislative, bodies. To make it too easy for them to introduce legislation might be to open a dangerous road to administrative interference with personal freedom. Before abolishing the town meeting and the town poll, it would be well to see if they cannot be made more effective.

Watching the American Spad

THE Kremlin is now watching the American economic scene with great care and mixed feelings. Soviet economists are apparently no longer convinced that the United States will this year be in the throes of a grave depression. Writing in *Pravda* a few months ago the veteran Soviet economist, Professor Varga, argued that the American economy was on the eve of "the crisis." But another Soviet observer, writing in a more recent issue of *Voprosy Ekonomii*, the monthly published under the auspices of the Academy of Sciences, says more cautiously:

Today it is still difficult to determine whether the drop in the industrial production of the United States marks the beginning of an economic crisis, or whether it is just one of those fluctuations from which the capitalist economy suffers in the intervals between crises.

This cautious line now prevails in most comments on the vagaries of American industrial behaviour. The Russians have a word for a slump, which means "crisis," and they use it to describe the state of agriculture in the United States. They also have a word for recession. Yet in their almost daily references to American industry Soviet commentators use neither but prefer the non-committal word *spad*—a fall or drop. They clearly do not want to run the risk of offering the wrong diagnosis on an issue so important to the framing of Soviet policy. It is something gained that a *spad* is called a *spad*.

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Cloak and Dagger

IT is not always easy to grasp what is meant by "tension" between governments. It is clearly something less than imminent danger of war, but it is also something more than the suspicious co-existence of rivals; and a distinction has to be drawn between tension likely to cause world conflict and tension likely to cause only local fighting. There is tension in Kashmir, on the Israeli-Jordan border, in and around Trieste, in Siam; but it is less serious than tension in Berlin, in Korea and on the Chinese border with Indo-China. What exactly is the difference?

Serious tension exists where official representatives or unofficial agents of great powers are liable to take action that will make patience snap and judgment falter. It is most dangerous where their forces are in direct contact. The East German Vice-Premier, Nuschke, told a press conference in Berlin on Monday that "world war" would have resulted if the anti-Communist revolt of June 17th in the Soviet zone had succeeded in arresting the East German government. He stated that Marshal Bulganin, the Soviet War Minister, and Marshal Sokolovsky, his deputy, had said as much to him during a recent visit to Moscow. That Nuschke should have been put up to make such a grave statement at this moment is a sign that the Russians intend to use the Berlin conference as an occasion for demanding a ban on cold war.

The demand is loudly and frequently made in Soviet and satellite newspapers and broadcasts that the operations of "American espionage centres" in West Berlin should be checked. They seem to inspire fear greater than the activity, perhaps, justifies. Yet it would be unwise to ignore the possibility that those in Moscow who arrested and prosecuted Beria genuinely believe that there was some long-standing link between his police organisation and western agencies, and that conspiracy in Western Europe and conspiracy in the Soviet Union are connected. If this is so, the implications are disturbing. There is a strong case for using against the Communists their own weapons of conspiracy and agitation. (Did not the East German government call on West Germans to rise and overthrow Dr Adenauer?) But there is an even stronger case against allowing secret, and therefore partly independent, organisations (some of them German) to do what they think fit regardless of agreed western policies. They need the most scrupulous control by responsible authorities if they are to be an asset rather than a liability in negotiating with the pioneers of the cold war.

Malta's Coalition

THE new Maltese Government, the composition of which was announced this week, will again consist of a coalition between Dr Olivier's Nationalist Party (which won 18 seats in the general election just before Christmas, compared with 15 seats in the election in 1951) and Dr Boffa's Workers' Party (which won only three seats, compared with seven in 1951). The opposition will contain only the Labour Party, which has increased its representation from

14 seats to 19; the Constitutional Party, which won four seats in 1951, has been wholly eliminated, despite its hold on the press.

Dr Olivier, who is again to be Prime Minister, started the present constitutional wrangle soon after the Coronation by presenting a memorandum to the Colonial Secretary, in which he demanded that Maltese affairs should be transferred from the Colonial Office to the Commonwealth Relations Office. During the elections he went on record as objecting to Mr Lyttelton's counter proposals that Malta should come under the Home Office, on the grounds that these do not go far enough; and he may find it difficult (even if he wants to) to go back on a public judgment forced from him in the heat of the day. On the other hand, Dr Boffa's Workers' Party, which still holds the balance of power even though it has become a rather more junior partner, has said that it will be satisfied if Malta's affairs come within the purview of either the Home Office or the Commonwealth Relations Office. It is to be hoped that this more flexible view will gain the day. The opposition wants an even closer link with Britain, and has suggested that Maltese representatives should be elected to Westminster on the analogy of the French metropolitan colonies. This idea is inapposite; but the new government would be foolish to ignore the wishes of so many fellow countrymen for a close British connection, and it may therefore conclude that it is in no position to reject Mr Lyttelton's offer out of hand.

London in East Anglia

THE London County Council's schemes for disposing of the surplus population on its housing list are becoming bolder and stranger. It is at present negotiating about possible joint housing schemes with eleven towns, of which all but one are more than 40 miles from London. Some of these towns are railway junctions—such as Swindon, Ashford, Bletchley, and Grantham—where the prospects of industrial development to provide work for the incoming Londoners are reasonably good. But negotia-

tions are also in progress with small and remote towns in East Anglia, such as Thetford, Sudbury, Haverhill and Bury St. Edmunds.

The LCC is willing to discuss the possibilities of joint development with any provincial town that is interested in the idea. The ancient wool towns of East Anglia—whose population is static or declining and trade stagnant

—can discern benefits as well as drawbacks in a wholesale influx of Londoners; and they have been among the first



to rise to the bait. Moreover, the usual opposition from farmers to schemes of development (which has already caused trouble at Swindon) is less marked in the Brickland where soils are poor.

Londoners may find themselves travelling yet farther afield. The latest town to respond to the LCC's open invitation is Nantwich in Cheshire, more than 150 miles from London. The local council is willing to accommodate up to 6,000 Londoners, who would be drawn from those on the LCC list who are willing to live anywhere. Since there are good local facilities and also a local shortage of labour, this particular scheme appears to be economically sound. But the dangers of letting the vagaries of local politics decide which towns shall or shall not be expanded—perhaps sometimes with too hopeful an assessment of the scope for industrial development, or too philistine a disregard of the destruction of old-world character and the social transformation entailed—will need to be carefully watched.

Sinews for the Arab League?

THE Arab League Council, now meeting in Cairo, is dominated by two popular beliefs. One is that neutrality can be afforded by states that are militarily weak but rich and covetable. The other is that to admit foreign bases is to invite rather than discourage attack. Not all the Arab states advance these views with equal vigour; Iraq, Saudi Arabia and Lebanon are less sure than Egypt about the advantages of having no outside allies. But once the two notions are wrapped in the warm and familiar folds of Arab solidarity, they lead without a tremor of doubt to the conclusion that the more closely a league huddles together, the greater its chances of neutrality. So the air is full of new but vague statements on the virtues of "complete unity."

The nearest to concrete proposals are those advanced, in private talk with other delegations, by Iraq's prime minister, Dr Fadhil Jamali, who wants to have common representation abroad, and to unify ministries of defence, education, foreign affairs, and even finance. If unification is not possible all at once, he adds, let two or more states point the way. Hitherto, grave objections have been raised whenever any such partial federation has been proposed. Arab sponsors of closer links between Iraq and Jordan, or Iraq and Syria, have always been shouted down by fellow Arabs. The barriers were largely dynastic, and now that King Farouk has gone and King Ibn Saud and King Abdullah are dead, they might be thought to have fallen; but a new one—alas—has arisen in their place. The Arab states today can be divided into "haves" and "have nots"—into an oil-rich group in the east and hungry cousins in the west. So far, ideas for joint development have tended to come from the latter and to be countered, by Saudi Arabia in particular, with the answer that all wealth is earmarked for home needs for years to come.

Iraq is by far the most developed state in the "have" group and proposals coming from it are to be taken the more seriously. If ever they reach maturity, they will have real substance. At present they are tender shoots and run the risk of being smothered beneath a dead-weight of negative resolutions condemning the west, or Israel.

Appalling Frankness from Mr Djilas

THE style of the celebrated Yugoslav leader Milovan Djilas—a cross between James Joyce and Karl Marx—does not usually assure him a large audience. His recent articles in *Borba*, however, are said to have aroused great interest and lively discussion. It is not difficult to see the reason for this or for the stern rebuke that they have drawn from the Communist party's central committee. Embedded in the dialectical obscurities there are a number of statements which, coming from the pen of the party's leading theoretician, could hardly fail to flutter the doves.

Mr Djilas (whose attitude, incidentally, over the Trieste dispute has been strongly anti-western), maintains that Yugoslavia has reached a stage in which no one party, group or even class can be the "exclusive expression" of a whole society. He castigates the "petrified brains" which cannot realise that everything "from morale to philately" need no longer be controlled from one centre. He asks, too, whether frequent and compulsory local party meetings are really necessary; in his opinion, they should be held only "at long intervals."

Mr Djilas is not really doing much more than restate bluntly the directives of the sixth party congress of November, 1952. But his articles are hardly likely to encourage the "militant approach" to Communist objectives which the party leaders demanded last June in the "Brioni letter," which represented an attempt to stop the rot in Communist morale that set in as a result of the party congress's liberal directives. And when he insists that the chief and inescapable problem is now the "fight for freedom of discussion everywhere and in all places . . . freer elections . . . and more adherence to the law," he may have logic and good sense on his side, but he is taking many of his colleagues further than they are as yet prepared to go.

The trouble over Mr Djilas arises out of the predicament in which the Yugoslav Communists find themselves. How can they give the regime a basis of wider popular support without thereby destroying their own power? Grappling with this problem, their thinking is bound to be uncertain and their attitude towards the rank and file is likely to oscillate between attempts to ginger up the comrades and warnings that they must not get above themselves. Mr Djilas's indiscretions should be regarded as an incident in the painful process of sorting out Titoite ideas. That he could make them at all shows the difference between Titoism and Stalinism; the treatment he now receives from the party should show more clearly the depth of this difference.

For Burma's Defence

TO say that the difficulties now being raised by the Burmese about renewing their defence agreement with Britain have not caused some disappointment and surprise in London would be ingenuous. The old agreement, dating from the transfer of power in 1948, expired on January 4th. In the early days of independence many Burmese were known to regret the fact that the British still had a military



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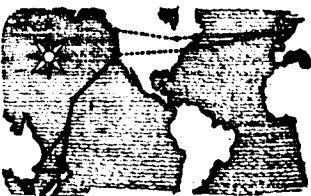
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mission in their country, designed though it was solely to assist Burma in building up its own forces; for a time the mission was therefore snubbed and restricted in its activities. Lately, however, the Burmese tendency to look to Britain for support when in trouble, and the realisation that the mission had carried out its duties with correctness, friendliness and a high degree of technical skill, had entirely changed the atmosphere. Although discussion was expected about the precise form in which the agreement would be renewed, no overriding difficulty was expected when negotiations started in November.

It now appears, however, that the Burmese government feels that to sign a new defence agreement on the model of the old would lay it open to too much criticism from the left. This is understandable considering the sensitivity of Asian opinion, yet at the same time unreasonable in the light of the facts. It must, nevertheless, be accepted, since neither party will benefit from an agreement that the other cannot or will not honour in the spirit as well as the letter. The Burmese, moreover, have deliberately let it be known that they do not regard their new approach to the defence agreement as modifying their friendly attitude towards Britain, where their further proposals are awaited with interest.

The Burmese are on weaker ground in their specific complaint that arms ordered in Britain have not been delivered within reasonable time. True, in the early stages of the Korean war Britain had to retain for its own use some of the equipment that might otherwise have gone to Burma. But the British feel that they have, on the whole, done well. Certainly there are excellent reasons why the Burmese government, facing rebels within and a powerful neighbour without its frontiers, should receive promptly the equipment it needs.

Keeping Them in Their Place

THERE will be cheers for the remarks of a county court judge this week when he turned down a claim by the South Eastern Electricity Board against a consumer. He said, in effect, that he preferred the evidence of the consumer to that of a mere meter, adding

the Board are a public authority and it is their duty to be careful and accurate and see that they do not charge too much.

This snub to bureaucracy will be particularly applauded by those who have recently applied for new licences for their motor cars. They have been astonished and angered by a question appearing on the application form for the first time, which asks them whether they have a radio set fitted to their car, and if so whether it is separately licensed. This information is, of course, totally irrelevant to the identification of a motor vehicle, which is the purpose of the form. It is designed to help the Postmaster General to trace those who have dodged taking out licences for their car wireless sets.

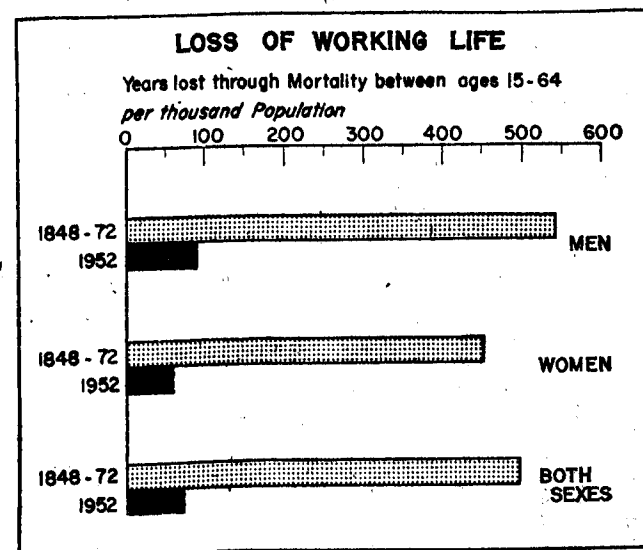
But what right have the motor licensing authorities to act as snoopers for somebody else? Their powers of compulsion, it should be pointed out, are formidable. They can refuse a car licence if the questions are not answered, and impose a penalty of £50 or six months' imprisonment

for deliberately false answers. These coercive powers ought to be restricted to the purpose for which they were originally intended. It is quite wrong that they should be used on behalf of another authority and with a totally different purpose in view.

Loss of Life

LOOKED at from one angle, the decline in mortality in the last hundred years is presenting Britain with an increasing band of grandparents to support. Looked at from another angle, it has provided an increasing army of workers to support them. In the December Bulletin of the Ministry of Health, statisticians of the General Register Office calculate how many years of working life (conventionally defined as life between the ages of 15 and 64) are lost by death today compared with those lost in the third quarter of the nineteenth century.

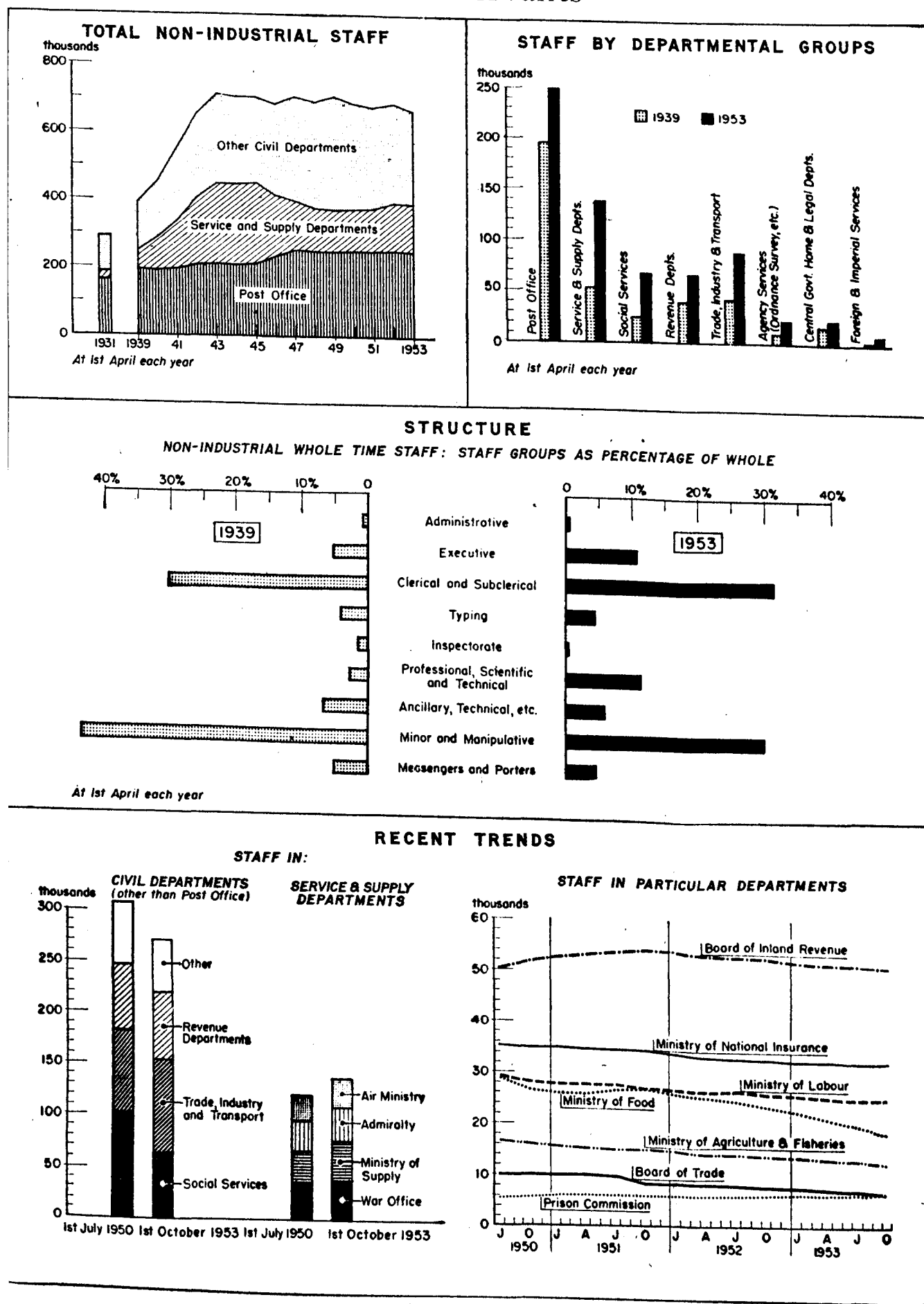
In 1952 the death-rate per thousand of the population at all ages was less than half what it was in 1848-72. But, as the accompanying diagram shows, the decline in the



loss of working years has been far greater still because the biggest fall in mortality has occurred at early ages. In childhood, mortality for males in 1952 was only 5 per cent of what it was in 1848-72; at ages 15-44 it was 18 per cent, and from 45 until the age of retirement 57 per cent. On the other hand, over the age of 65 mortality for males is still 83 per cent of what it was in the earlier period.

The Bulletin also contains a comparison of causes of death. The loss of working life in men due to tuberculosis is shown to be only one-twentieth of what it was in 1848-72, whereas, owing mainly to improved diagnosis, cancer is recorded as causing a much greater loss of life than it did a hundred years ago. In spite of the increase in road deaths, violence other than suicide causes a much smaller loss of working life than it did in 1848-72. Nevertheless, violence, intestinal infections, tuberculosis and suicide overshadow all other causes of death in the younger age groups. If a further big saving in years of working life is to be achieved attention will have to be concentrated on them.

Civil Servants



New Plans for Farming?

THE National Farmers' Union has repeatedly urged the Government to produce new and more definite plans for British agriculture. The latest request comes from its general secretary, Mr J. K. Knowles, who in a speech this week asked for two plans—"the sorely-needed long-term policy for production and a bold, imaginative national plan to end the prodigal waste of valuable agricultural land." The request for a production plan is somewhat naïve. The amount of food that it is desirable to grow in Britain cannot be divorced from the prices at which it will be produced. In the free market which is now to be restored, the taste and the pockets of consumers will influence the market for home-grown food in a way that no Government could predict. If the Government were once more to set farmers definite production "targets," it would commit itself (morally if not legally) to underwriting the market to an unlimited extent.

What farmers can reasonably request is that the Government should make clear the extent to which it will support the prices of individual products. The Government's price guarantees can then aid the farmer in planning his future output. In some instances, the price guarantee will need to fluctuate in accordance with the amount produced, but this is a factor of which the farmer must take account. In practice, farmers can be sure of an expanding market for most products so long as they do not price themselves out of it.

The request for a plan to prevent the so-called "prodigal waste" of agricultural land is surprising in view of the great care that is already taken to examine every proposal for development from the agricultural standpoint. It is Government policy to protect agricultural land, and the Ministry of Agriculture (not to mention local farmers' groups) exercises a vigorous and often an excessive influence on the decisions of local planning authorities. Presumably what Mr Knowles has in mind is some national plan which would stipulate the total quantities of land to be devoted to the various possible uses. It is doubtful whether such a plan would benefit agriculture. It is certain that the present state of administrative wisdom is not equal to producing a binding plan of this character.

Bank v Rank

THE spectacle of the Bank of England demanding, in outraged wrath and the full panoply of legal powers, the obliteration of Mr Rank's Million-Pound Note from the public hoardings advertising his film of that name, leads more to ribaldry than to edification. The rule against colourable imitations of currency is, indeed, a necessary one; without it, the forger's life would be altogether too easy, since he could be caught only when actually passing off his products. It is necessary, too, to interpret the rule with some severity; the trusting public, despite all shocks and warnings, does repeatedly take that which looks faintly like something for something itself, accepting dud half-crowns, split banknotes, indeed almost anything carrying more superficial conviction than a slip from the game of Mono-

poly, with a complacency worthy of an old-fashioned slot machine. Every country has regulations similar to those under which the Bank of England has acted. In the United States, indeed, even postage stamps come under the ban—so that the purveyors of stamp catalogues and schoolboys' albums must, if they illustrate American stamps at all, show them in two separate halves. (Otherwise, presumably, they might be cut out, coloured, and stuck on an envelope.)

The Bank's action therefore lacks precedent neither in kind nor in degree of absurdity. Nevertheless one is puzzled to know what misuse, direct or indirect, it expected to see made of the posters' currency. The mental picture of a miscreant creeping up at night, cutting out a specimen, and using it to emulate Mr Gregory Peck's triumphant demonstration of creditworthiness, is not altogether convincing; a forger inspired by the film to tackle something more ambitious than a fiver would hardly get much technical aid from the poster; nor could any palmer-off of Kiddies' Kurrency from the Christmas toy department seriously attribute his downfall to Mr Rank's bad example. More probably the Bank's motive was simply that of all priest-hoods infuriated by a profanation of the mysteries. Some things are sacred. If a ten-pound note is sacred, a million-pound note is a hundred thousand times more so. Mr Rank, and the erring artist, may count themselves lucky not to suffer, in a cauldron of boiling oil apiece, the old-established penalty for coining.

Wealth Without Strikes

Sir,—

Within the last twenty-five years the wages of young women employed in card-rooms (a class of hands called "tenterers") have advanced fifty per cent, *without any strikes or any combinations*. Tenterers are now receiving thirty per cent more wages for 10½ hours per day than they formerly did for 13 hours per day. This is a fact that should teach a lesson to the turn-outs of the present day. I do not deny that more work is done now than formerly; but the extra production is owing to *improvements in machinery*, the labour of the "tenter" being as light as it ever was.

A MANUFACTURER

Ashton-under-Lyne, Jan. 11, 1854

We have already stated that the masters had proved by the rise in wages that they were ready to agree to such a rise when circumstances authorised it. In fact, the competition amongst them—their anxiety to do more and to get more—will generally ensure a rise in wages. Our correspondent lays before the public proof that this has actually taken place. He proves, too, that the rise is in the main the result of improved machinery, which masters are continually introducing, and thus sparing their people irksome toil, while they contribute to increase their pecuniary rewards. That the condition of the great majority of the factory hands has been much improved there can be no doubt; nor can there be any doubt that it has been mainly brought about by the immediate instrumentality of the masters. They crowd their mills with new machinery, and they cannot fail to distribute the advantages which their greater knowledge and ingenuity obtain over all their hands. The example set before the workmen by this letter should make them moderate their impatience to share their masters' power and wealth. Strikes kill the geese which lay golden eggs for them.

The Economist

January 14, 1854



"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.

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Letters to the Editor

Atlantic Assembly

SIR—I welcome your recent interest in the idea of an Atlantic Assembly. I was encouraged to make this proposal in the Commons in July because of the response to the suggestion I made in a speech at Strasbourg in May or June that the Council of Europe should turn itself into a Council of the Atlantic. I have made similar speeches during the past year in this country, in France and in the United States, and the criticisms from British and continental members of parliament and from British, continental and American audiences have been similar. The left and centre have, on the whole, supported the proposal because they see the chance of educating Western parliamentarians by their debating together common problems, e.g., trade with China. Opposition has always come from the extreme right. In Britain and the USA it has been from the isolationists of the right. On the Continent the clerical parties of the extreme right have opposed the proposal because they see any close association with a populous and a predominantly Protestant North America as weakening the very strong position they have in an exclusively European organisation.

The suggestion for transforming the Council of Europe into a Council of the Atlantic is not, of course, the same as having an assembly of the North Atlantic Treaty Organisation. This would give rise to serious difficulties such as the exclusion of the German Federal Republic and Sweden, who are members of the Council of Europe but not of Nato.—Yours faithfully,

GEOFFREY DE FREITAS
House of Commons

German Illwill to Britain

SIR—With regret I read your Note of January 2nd. You base your criticism upon some stupid remarks of a rather unimportant provincial paper and upon the assertion, that "even well-intentioned otherwise intelligent men believe that Britain declared war on Hitler for the sake of the export market." Please take it from me, a rather widely experienced politician and scientist, who has been since 1945 at not less than 500 political meetings in all parts of Germany, that I have never met such an opinion. Most leading men in Germany of today have been members of the German "resistance" under Hitler and longed between 1933 and 1939 with growing impatience for any symptom of foreign opposition to Nazi politics. So I may say that Britain's decision in 1939 was more than

understood by the majority of the people now responsible for public affairs.

The steady refusal of the foreign powers especially of the British Government to recognise this German "resistance" even after July 20, 1944, and to make use of it was not only morally wrong, and cost the world millions of lives and vast sums but, of course, also cooled the very strong pro-British sentiment here.

After the collapse of Hitler, Germany became a divided and occupied country. Is it so difficult to understand the feelings of a great and proud nation? Even those of us who at first welcomed the occupation as a liberation from an intolerable tyranny and as an end to terrible crimes were disappointed when the liberators refused for years to behave as such. Until 1949 I had innumerable experiences of antifascists being treated by the occupation authorities with the same distrust and want of respect with which they would have treated the Nazis. I was in England in 1937 and as an ardent democrat I felt deep disappointment about the numerous admirers of Hitler in your country; imagine my feelings when after 1945 the same people undertook to "re-educate" me! The British have been the slowest to recognise the change in our country and the new forces that were at work here. The Americans have been much readier to learn. Moreover, they did not take part in the inconsiderate dismantling of German factories; they sent food when our population was starving, money to rebuild our industry and sometimes even to repair the damage wrought by the British reparation demands; and last, but not least, in the Berlin blockade, the Americans forced upon the hesitating British the decision to support the city.—Yours faithfully,

Berlin-West F. FRIEDENSBURG

Inflation and Pensions

SIR—I suggest that the difficult question of the revision of public service pensions which have been robbed by inflation of much of their purchasing power can be solved easily with more comprehensive thinking than it has yet received. The following is an attempt to set out the salient points.

In this matter the same general considerations apply to all public service pensioners whether they have served in the fighting or civil services, and they are different from the considerations applying to other pensioners. For instance, public service pensions can properly be considered apart from old age pensions, but not soldiers' apart from civil servants'.

In general, the public services have

never offered as good pay as private industry, and they used to get the recruits they needed only by offering compensations for this disadvantage. One of the principal compensations was the expectation of a pension providing a reasonable standard of living after retirement, varying, of course, with the service, branch and rank. This compensation has now largely disappeared. Nobody can confidently entertain this expectation, so long as the Government neglects to revise pensions which have been robbed by inflation of much of their purchasing power. Public service pensioners in straitened circumstances have become living warnings not to enter the public service. Recruitment is bound to suffer in consequence, and it has started to suffer already. For instance, the quality of the intake into the fighting services' colleges is causing uneasiness, according to a recent letter to *The Times* from Lords Cunningham, Alanbrooke and Portal, and the Civil Service Commissioners have reported a falling off in the quality of entrants to the administrative class. The Government should restore confidence in its pensions as a matter of prudence.

One of the main inducements which the Government held out in order to attract these pensioners to its service was the expectation of a pension providing a reasonable standard of living after retirement. But owing to inflation their pensions no longer provide this. The Government should revise them as a matter of honesty. The alternative is cheating.

The only effective way of revising them is to raise them to the current rates which the recipients would receive if retiring now, with a guarantee of similar revision if the current rates are raised.

The Government Actuary should estimate the net cost of such revision. It is much less than is often supposed, because many of the smaller pensions have already been raised under provisions for increases in necessitous cases, and the Exchequer has only to find the net cost, i.e. the gross cost less income tax, which is deducted at the source from public service pensions.

Mr Butler may or may not be able to find the whole net cost in the next financial year. If he cannot, he can undoubtedly find it in instalments, the first instalment in the next financial year. If instalments are necessary, it is the older pensioners with the shorter expectation of life whose pensions should be revised first.—Yours faithfully,

Arundel G. D. ROKELING

The Morality of Money

SIR—A number of conclusions can be drawn from your article in the issue of December 26th; but one seems both clear and practicable; it is that the ceiling of £2,000 of earned income, above which no Earned Income Relief is granted, should be abolished.—Yours faithfully,

Yorkshire P. R. R. COAD

Books & Publications

Realism and the Dollar

BRITAIN IN THE WORLD ECONOMY.

By Sir Dennis H. Robertson.

Allen and Unwin. 92 pages. 7s. 6d.

IN these four lectures, delivered at the University of Virginia last March, Sir Dennis Robertson brings his powers of scrupulously fair appraisal and darting wit to bear on the principal problems of British capital investment and sterling-dollar relationships. As usual Sir Dennis packs as much into 92 pages as other economists would sprawl over four hundred. As usual the difference between any ordinary economist's compressed material and Sir Dennis's is the difference between a dog biscuit and sparkling wine.

In his first lecture, Sir Dennis appears in an unusual role: he tries, as others have tried before, to translate recent national income statistics into real terms. He suggests that about £5,000 million of the £10,000 million of British investment between the end of 1945 and the end of 1951 may have represented new capital formation rather than replacement; and compares this with about £7,000 million which he believes a "shrewd observer in 1946 would have discerned as necessary to equip our industrial population per head as well as it had been equipped before the war." His estimate of the fixed investment needed for replacement is rather smaller than one would have expected (he arrives at a "wild guess" for depreciation by adding the official figures for central and local governments, farmers and professional persons to only one and a half times the figure for normal allowances to private traders and companies and one and a half times that for public corporations); but few would quarrel with his conclusion that the scale of the investment effort has been "unsatisfactory" though "not I think, a disgraceful one." On the direction of the effort—for example the extravagant electricity programme—and the present pattern of savings ("fraught with danger to the future") he has sharper things to say.

Sir Dennis's analysis of the history of the sterling area since the war concludes that as between the "White Dominions, the major Asiatic members and the mother country the honours or dishonours have been about easy"; this may be a little too fair to some of the dominions, but nobody who reads his analysis need doubt which these are. He shows some sympathy for the view that it has been a principle of the sterling area that "the little black children, who were often the best

earners, could be smacked on the head if they showed too great a propensity to spend dollars, while the grown-up white daughters, who were often pretty extravagant, could only be quietly reasoned with"; but he believes that for all primary producers *respice finem* is a golden rule. West Africa may justly count itself an ill-used exception here.

When Sir Dennis turns to the problem of sterling-dollar relationships, he suggests to his American audience that perhaps "a quarrel and a baby are not the only things which it takes two to make, but that dollar shortage also falls into that interesting category." He quietly outlines the temptation for non-dollar countries to "gang up and practise the division of labour on a less bewildering basis" than rapid changes in American technology would make necessary in a unified trading world; and he thinks that richer countries have a greater responsibility than poorer ones to resist the temptation to go on blacking their own shoes when it is obviously uneconomic for them to do so. Moreover, although he believes that the disaster of 1929 to 1932 was "produced by a constellation of causes which may never recur, and aggravated by mistakes which need never recur," he finds "it hard to see how an economy like that of the United States is ever going to render itself immune from little hiccoughs of stock-taking and indecision like those of 1938 and 1949." These hiccoughs reverberate "like thunder right through the free world's economic system, intensifying dollar shortage from a sullen ache to a raging fever. Here, it is urged, is another reason for planning to detach oneself, so far as is possible, from [America's] orbit."

Sir Dennis's own prescription is not for such detachment, but he proceeds to a masterly analysis of the circumstances in which a little discrimination (including tariff discrimination) by the sterling area and Western Europe may do more good than harm. He is afraid that a unilateral dash for technical convertibility of sterling might lead to a slower advance to what he plainly regards as the more important objective of removal of import restrictions, and he would not "care to talk in terms which suggest that complete and irreversible non-discrimination is much, if any, nearer than the day of complete free trade." These are the confessions of a renowned economic liberal who has adjusted—but never warped—his convictions to accord with the realities of the modern age.

Rulers and Ruled

THE FOUNDERS.

By Philip Woodruff.

Jonathan Cape. 402 pages. 30s.

MR PHILIP WOODRUFF, who has written some excellently informative novels about district administration in India and the dispensing of justice, has been chosen by his former colleagues in the Indian Civil Service to write a history of the men who built up and sustained the British Raj. His method is to present a large number of little biographies, some of the subjects being chosen because they were outstanding, some because they were typical. He diversifies this by accounts of how they struck non-service travellers in India, such as Bishop Heber or the Frenchman Jacquemont. Primarily it is a history of the civilians. The birds of passage are out of the picture, and so are the soldiers except those like Malcolm who distinguished themselves in organising the government of those who had been conquered. Even Napier gets little space.

The present volume starts with the East India Company's voyages at the beginning of the seventeenth century and extends to the Mutiny. It is agreeably written, and the men on both sides, the rulers and ruled, appear as flesh and blood. The situations are human: Mr Woodruff's talent as novelist reinforces his diligence as historian. As his book is also comprehensive, it will take its place as a standard work. But it is more readable than original. It changes few reputations, does not offer many new facts, and does not recast the history of British rule or start new lines of speculation.

When the time comes for another edition, Mr Woodruff might be induced to give an account of the scholarship of some of the civil servants. Until they were overwhelmed with files they produced a steady volume of work upon Indian history, ethnography, literature, philology and metaphysics. Mr Woodruff neglects this. Even Sir William Jones gets only two brief references in the book, and most of the other scholars are not mentioned. Mr Woodruff notices the beginning—in 1833—of the association of Indians in the services; but he says nothing of the employment of Anglo-Indians in the early days, and their subsequent virtual exclusion from the higher offices. Apparently it was the revolt of Bolivar in South America which told against them; the company drew the moral that the real threat to its power might come not from Indians but from half-castes. Should there not also be a more detailed study of the links between the British civil servants in India and in their home country? In the different periods most of them used to reflect in their actions and influence the views which they had absorbed as young men in England a decade or two earlier. How Bentham and utilitarianism influenced India calls out for investigation. But Mr Woodruff mentions Bentham only once.

The next volume of the book, to be published this year, will carry the history down to the year of Indian independence. It will tell the story of the continuing dominance in the civil service of the group from the Punjab. The rise of this peculiar sub-species is described in the last chapters of the present book. It thus ends rather astringently. Urbanity was not the chief characteristic of the Punjabi officer.

D-Day and After

NORTH-WEST EUROPE, 1944-45.

By John North.

Her Majesty's Stationery Office. 270 pages. 10s. 6d.

THIS volume forms part of a series, whose publication the Government has encouraged with commendable sense, to provide a short and semi-official account of military operations in the second World War that will give the general reader something to go on until the official histories are completed. Volumes on the Italian, Norwegian and Crete campaigns have already been published, although, curiously enough, no volume on the Western Desert—the only purely British major feat of arms in the war—is shown as in course of preparation.

Mr North's is clearly the most important contribution for it deals with the decisive campaign of the war. A vast amount of documentary scholarship has gone into his book; he has not only had access to all the official documents but has clearly used them very thoroughly. He has, moreover, made a real effort to try to draw the general reader into the problems of military and strategic planning—there is for instance an excellent section describing all the factors involved in the decision to launch D-Day on June 6, 1944. He also deals fairly with the conflict of opinion in high places, in particular with the differences between Generals Eisenhower and Montgomery about the right way to execute the break into Northern Germany.

Unfortunately the book is marred by two faults. One is the "journalese" in which it is written, with a love of flashbacks and coloratura in the wrong places. This makes it less easy to follow the course of operations than in the austere prose of Mr Chester Wilmot—himself a journalist—although Mr North's judgments are more interesting and possibly more profound than Mr Wilmot's. The other is the complete lack of any useful campaign maps; the only ones in the book are slightly inaccurate and totally inadequate topographical maps, and the general reader must carry in his head a mass of detail about the centre line of VIII Corps or the position of the reserves in the Ardennes if he is to retain any coherent picture of the campaign. Here is a case for revision in the subsequent editions which the book's scholarship deserves.

The King's Friend

CHANCELLOR THURLOW.

By Robert Gore-Browne.

Hamish Hamilton. 383 pages. 25s.

SOME of the readers of this lively biography will know Sir Lewis Namier's "Structure of Politics at the accession of George III"; or Professor Pares's Ford Lectures on "King George III and the Politicians." Here they will see one of the "politicians" in action.

In 1761, a KC with a good practice, Thurlow entered Parliament as member for Tamworth. This was an appropriate reward for an ambitious man dependent on his own exertions; he had rendered useful pamphleteering service to Lord Townshend whose family controlled this pocket borough. No nefarious bargain was struck. His patrons were Whigs; Thurlow was inspired by that rustic kind of independence which was often labelled Toryism. In actual fact he always remained an independent, regardless of the colour of his political associates, though this did not ensure his popularity with contemporary "columnists" or nineteenth century biographers. The bitter epitaph written in Thurlow's lifetime is matched over fifty years later by the ponderous historical displeasure of Lord Brougham who, nevertheless, credits him with exceptional powers of concentration and quick, clear comprehension. These qualities and his pugnacious rhetoric rapidly expanded his renown in the Courts and the Commons. Mr Gore-Browne does full justice to the triumphant industry that brought him the Attorney-Generalship and to the heavy burden that this appointment laid on him. Asked how he got through it, Thurlow replied "just as a picket-pocket goes through a horsepond—because he must get through." Thurlow "got through" to the Woolsack by 1778.

Lord Thurlow was one of "the King's Friends." This title, considered honourable by the King, was a contemporary term of abuse employed by those who were "agin the Government," not so much because they were "Whigs" as because they were "outs" who wanted to be "ins"; and who, if they got in, would be equally prepared to be "friendly" to the King—but at their own price. But, to the King, his "friends" were those who were prepared to ensure that the Crown's Government was carried on. Mr Gore-Browne puts Thurlow vividly into an eighteenth century picture truthfully painted with the materials provided by the latest research. The result is fair to King and Chancellor; for the picture is based on genuine contemporary evidence and not on the escapist Jacobite fancies of a disillusioned later age.

The Chancellor was no better and no worse than more modern lawyers who have invested their legal skill in politics. He did his best, honestly enough, for a monarch who had the always difficult task of finding ministers who would hang together. Thurlow was one of "the professionals"—capable careerists like Jenkinson (first Earl of Liverpool),

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William Eden (first Lord Auckland), Wedderburn (Lord Loughborough), not to mention Canning. Indeed, this book makes it perfectly clear that young Mr Pitt, coming on to the parliamentary stage in a leading part, soon proved himself a better "expert" than any of them; not because he at once rescued "party government" from the clutches of "the Patriot King" but because he had the advantage of being able to use, with a cold efficiency that alienated Thurlow, his exceptional powers of political management at a time when the American disaster had discredited most political competitors.

Lord Thurlow had no wish, and certainly not the capacity, to dispute the leadership with Pitt. He knew his own limitations. He was good at pulling down or propping up political trees, but he did not always see the way out of the political wood. He was a good judge of men and his various attempts to harness them to the King's interest were often less self-seeking and more patriotic than his rivals allowed.

Light on Kashmir

A CONTINENT DECIDES.

By Lord Birdwood.

Robert Hale. 315 pages. 21s.

THIS somewhat disjointed book, the language and meaning of which is occasionally unnecessarily obscure, is valuable for two reasons. First, it recapitulates in some detail the series of constitutional parleys and negotiations which began with Mr Amery's declaration of June 14, 1945, in the House of Commons, and the simultaneous release of the Congress leaders from prison, and ended with the transfer of power to the independent sovereign states of India and Pakistan on August 15, 1947. In doing so Lord Birdwood has performed a useful service to students of events which, though proximate in time, have become heavily overlaid by conjecture and prejudice in a space of less than ten years. And in the second place there is a section on Kashmir that is notable for the light thrown by a professional soldier upon the purely military aspects of a campaign which began and has continued as an exercise in what the author calls "controlled warfare." Thus it is no bad thing to be reminded of the patience and persistence of successive attempts by the British Government in the 1945-47 period to preserve the essential unity of the sub-continent, for, in spite of the fact that partition is very recent history, it is widely assumed that the British Government accepted it as an easy way out of the Congress-Moslem League impasse. Likewise it will come as news to most people that on the technical level, after the stabilisation of the line of fighting in Kashmir, Pakistan enjoyed considerable strategic advantages, notwithstanding India's superior strength in numbers and armament.

The Kashmir chapters are, in fact, worth far more than all the rest of a rather laborious book. They sug-

gest that by virtue of his intimate knowledge of the State and its terrain, his acquaintance with the military and political leaders on both sides, his first-hand knowledge of frontier campaigning, his denigration of the "war of deception" (relying upon fictitious military formations operating in support of both contestants) and his transparent honesty in trying to arrive at a fair assessment of the dispute, Lord Birdwood possesses many qualifications necessary to write a full length authoritative account of the Kashmir war.

It is to be hoped that before long he will consider the possibility of doing so; for the synopsis which he has now given of the genesis of the quarrel and its enlargement to a threat to the peace of South Asia tells us a great deal more about the affair than the ordinary man can ever glean from the archives of the Security Council, the Dixon and Graham reports, or the voluminous correspondence which has passed between New Delhi and Karachi. Not all Lord Birdwood's political judgments will be accepted at their face value, but as an expositor he has succeeded in making the military and economic issues in Kashmir real and living, whereas most of us have been content to dismiss them as impersonal, obscurantist and insoluble.

A Problem of Digestion

AUSTRALIA AND THE MIGRANT. Papers read at the Nineteenth Summer School of the Australian Institute of Political Science.

Angus and Robertson. 186 pages. 12s. 6d.

AUSTRALIA'S way of dealing with immigration has always been that of the boa-constrictor. Periodically she swallows an enormous meal in a few years, a meal which produces a perceptible bulge in her population outline, and then spends a decade or two digesting it—not without sundry eructations. Such gulps of new population occurred between 1875 and 1890 after the gold discoveries; then came another gulp in 1908-14; then between 1922 and 1929 another 300,000 migrants were admitted; and in the five years 1947-51 a further 571,000 were taken in. On previous occasions, there has followed a pause for digestion, and most of the speakers at the summer school of the Australian Institute of Political Science, which was devoted last year to the discussion of migration, concluded that a similar pause must again ensue. The Australian Government has reduced its intake by half, and those now entering the country are very largely the dependants of those who migrated after 1947.

Owing to the fall in the net reproduction rate between the wars, this very large intake in the last five years has done little more than restore the population pattern and strengthen the cadre of the generations of working age. Without such immigration, Australia's population by 1960 would have risen to

only 8,793,000, according to Mr W. D. Borrie, with a proportion of 9.6 per cent of people over 65. It has this year passed that figure, and if the net intake were kept at the 1949 figure, would reach by 1960 10½ million, with 8.4 per cent over 65. Yet, though Australia has been enriched by so many people of working age, with a high ratio of males, it is generally agreed that the effect has been inflationary—in spite of the direction of many migrants into occupations where labour bottlenecks developed, so that, for instance, a heavy drop in steel production was averted. Australia was, at its current rate of consumption, quite unable to supply or borrow all the capital needed to settle such large numbers, which raised the annual increase to over 3 per cent a year. The balance of payments was strained. While population increased by 20 per cent, food production increased by only 10 per cent. Professor Karmel estimates that the capital goods needed are about £1,700 per migrant, i.e., in addition to the additional sums needed to feed and clothe him from current production. The inevitable conclusion was that Australia could have a reduced standard of living and a sustained programme for rapid population increase or a high standard and an intake, in present world trade conditions, of not many more than 80,000 immigrants a year. A forty-hour week, high wages and high costs do not consort well with prolonged nation-building.

This is a very useful set of papers, which throws much light on the hard realities of migration and population. It makes the little publicised point that Australia could probably attain the highest standard of living for individuals with an almost purely pastoral economy and a population of 2,000,000.

Shorter Notice

FARM POLICIES OF THE UNITED STATES 1790-1950.

By Murray R. Benedict.

The Twentieth Century Fund, New York. 548 pages. \$5.00.

At a moment when the government's responsibility for agriculture is again about to come up for full discussion in the United States it is useful to have a clear and authoritative survey of what has been done or advocated in the past. Mr Benedict writes not only about policies on matters directly agricultural, such as soil conservation, marketing, rural housing and methods of supporting farm prices, but also about the influence of farmers on policies in general. He treats 1870 as an important watershed: before that farmers thought of themselves as the nation; after it, as a special interest group on the defensive against bankers and monopolists. The book gives very useful summaries of the scope of the alphabetical agencies and examines the effect on the practice and outlook of farmers of the New Deal policies. Nor is space spent on rejected policies space wasted, for an idea about farming seems, from Mr Benedict's history, to be unkillable, and many old friends are sure to crop up again now that the Republicans are trying their hand at legislation.

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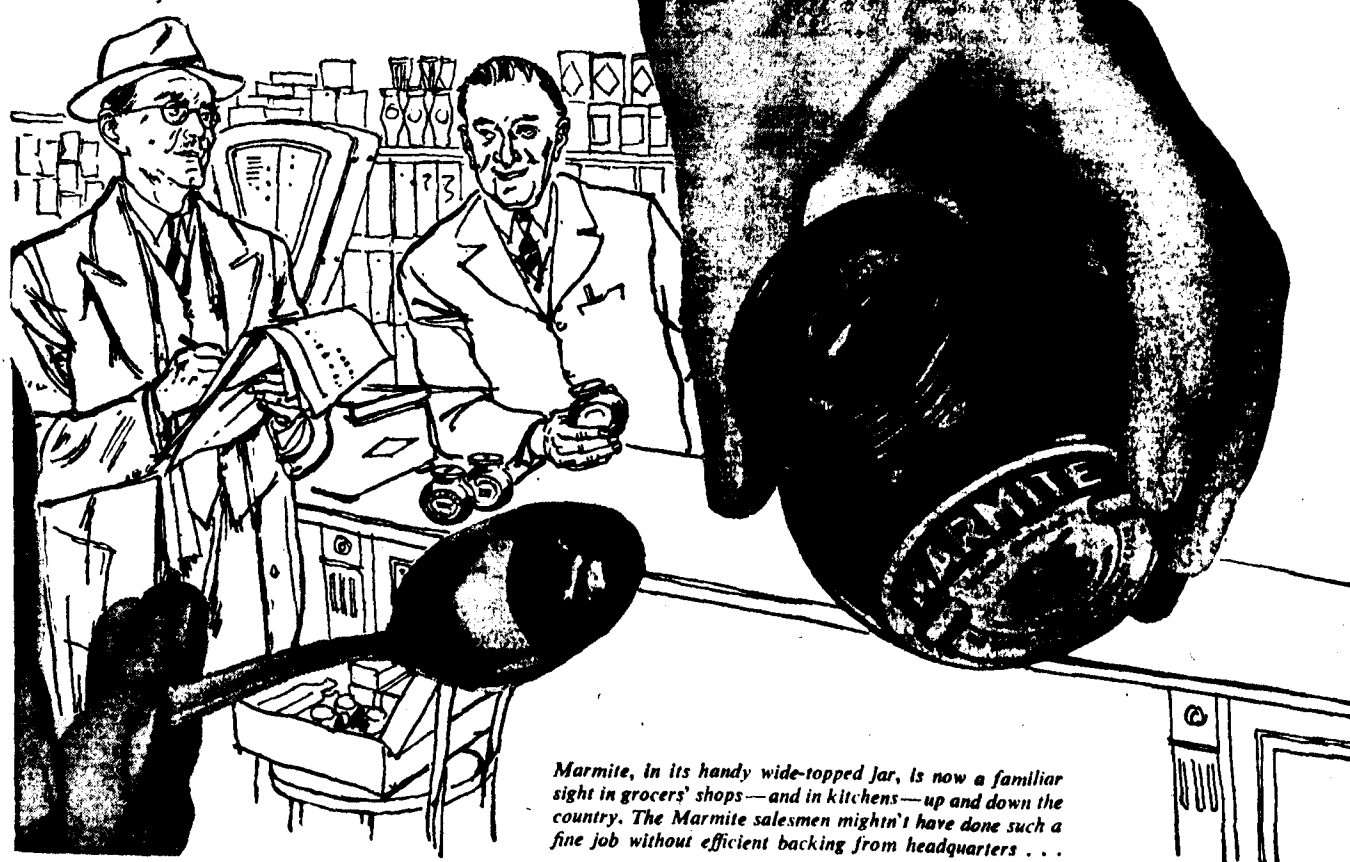


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American Survey

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Republican Marching Orders

Washington, DC.

WHEN the legislators came back to Washington last week they were greeted, in the President's report on the State of the Union, with Mr Eisenhower's views on why the Administration had already earned the confidence of the nation and on how Congress might, with a little application, come to do so as well. The central claim made for the Administration was that in its first year of office it had brought about a major strategic change in the world situation:

That precious intangible, the initiative, is becoming ours. Our policy, not limited to mere reaction against crises provoked by others, is free to develop along lines of our choice not only abroad but at home.

The applause had no sooner died away after this assertion of victory on the psychological battlefield than commentators were remarking that the success was not only intangible but illusory. Since in the most critical spheres, both in Europe and in the Far East, American policy rests on nothing more impressive than the strength and resolution of France, many people in Washington feel that the President's claim is a little premature.

Mr Eisenhower himself gave two instances of the new freedom that had come to American policy. In the first place, the Joint Chiefs of Staff had completed and the National Security Council had approved a new strategic concept. This policy, which bears a close resemblance to the ideas of the late Mr Taft, involves the progressive disengagement of American troops from the periphery and their use as a highly mobile strategic reserve ready to retaliate against any aggressor, as Mr Dulles later said, "by means and at places of our own choosing." For political reasons the ground troops will for the time being be kept up to strength in Europe. But the main emphasis is to be on the Navy and Air Force, and manpower will be saved in the Army by using tactical atomic weapons as conventional equipment.

Many Democrats could be heard complaining after Mr Eisenhower's speech that the new strategy was a result of the Treasury's pressure to balance the budget rather than a display of American initiative, and might have serious consequences for foreign policy. But there is not very much the Democrats can do about it if the Joint Chiefs of Staff succeed—as they have not always done before—in preserving solidarity before the interested congressional committees.

Like the repeatedly expressed willingness to negotiate over Germany, Mr Eisenhower's proposal for a pooling of

atomic material for peaceful use, which was the second main instance he gave of American initiative, effectively counteracts the impression of rigidity which American policy has given to the world in the past. But this represents not so much the winning of the initiative by the United States in the cold war as the regaining by an American Administration of the initiative normally reposing in a sovereign state. Mr Dulles's policy has of late been showing a flexibility and enterprise notably lacking during the period when the unpopularity of Mr Truman and Mr Acheson made them the captives of their critics. His freedom, however, must be fought for against Congress and the outcome may well be determined in the first few days of the session by the fate of the Bricker Amendment, which would cripple the President's authority in foreign affairs.

★

The degree of support which the Administration may hope to get from its own party in Congress will, of course, depend to a certain extent on the importance which Republicans up for re-election next November attach to the President's personal approval. Mr Eisenhower himself has made his opinion abundantly clear in a passage from a prepared statement to the press which may find an honoured place in Democratic campaign literature if the Republicans fail to back their President. In it he said:

I am convinced that those who fight for the programme that I shall soon submit to the Congress will deserve and will receive the respect and support of the American people. In any event, unless the Republican Party can develop and enact such a programme for the American people it does not deserve to remain in power.

Now Mr Eisenhower has submitted his programme and the Republican Congressmen have a prospectus of what they must do to be saved. It seems incredible that they can do it all in this session, for there are no fewer than twenty-one separate proposals, with the likelihood of at least ten special messages, not to mention the regular Budget Message and the Economic Report.

Having patiently endured for twelve months the taunts of Democrats and columnists at his apparent failure to provide leadership, Mr Eisenhower is now proposing relentlessly to feed the mature reflections of all his policy commissions into the erratic congressional machine. Nothing is to be left out: housing, health, public lands, natural resources, national highways, farm policy, foreign trade and amendments to the Taft-Hartley law on labour

relations. Together, these policies represent what one radio commentator, Mr Eric Severeid, has called a "re-definition of normalcy." The Republican economists, bankers and big business men who mainly make up the collective personality that is called the President are determined that the Republicans in Congress, many of them spiritual *emigrés* who would like nothing better than to repeal the New Deal or even the twentieth century, shall endorse once and for all a modern conception of the government's function in society.

Mr Eisenhower did not neglect to give his congressional audience some opportunities to cheer. He declared himself "flatly opposed to the socialisation of medicine"; he called for continued aid to the Nationalist government of China; by announcing that the casualties of his security check now amounted to 2,200 he vastly pleased those Americans whose confidence in the safety of their nation rises with the total of its servants who are found to be unsuitable; and he produced thunderous applause by his suggestion that Communists convicted of conspiring to overthrow the government by force or violence should automatically forfeit their American citizenship.

★

But the President's positive proposals were listened to mainly in silence. They seemed to have three main objects. The first is to turn from temporary or highly controversial devices adopted in moments of crisis towards considered long-term policies. He hopes, for example, to bring foreign economic aid to an end, continue technical assistance under the Point Four scheme on a permanent basis, and include military aid in regular defence appropriations.

Economic relations with the allies are to be on the basis of "trade not aid" and, with the Randall Commission now preparing to report ahead of time, the President has obviously promised that its recommendations will be thrust on Congress at this session. Also Mr Eisenhower is hoping to infect Congress with sufficient courage to shift, however gently, from the follies of the present farm policy, which piles up unwanted surpluses of a few basic commodities, towards a flexible system that would bear some relation to the requirements of the market.

The President's second objective is to document by legislation on social welfare his principle that

in a modern industrial society banishment of destitution and cushioning the shock of personal disaster on the individual are proper concerns of all levels of government, including the federal government.

This essentially liberal programme is couched in the conservative language that stresses the proper sphere of the states, local communities and private initiative. It thus contrasts strikingly with the truculent manner in which Mr Truman used to hurl proposals at Congress in the certain knowledge that they would perish in its committees. But Mr Eisenhower and his advisers believe that striking results can be obtained if the federal government uses to the utmost the power to help and to prod.

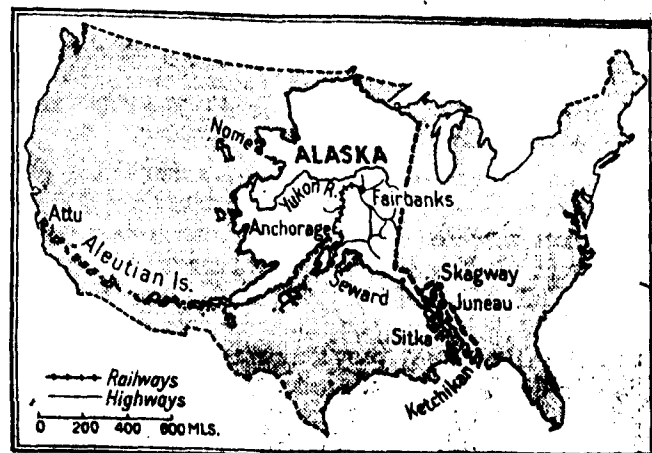
Finally, the President will, in his Economic Report, explain the measures which his advisers confidently believe will enable them to prevent a depression and will ask for legislation in those cases which require it. In the last analysis it will be on the success of these policies that everything else will depend.

Streamlined Frontier

FROM A SPECIAL CORRESPONDENT

THE absence of any mention of Alaska in the President's State of the Union Message wiped out the hope, bright last summer but already faded, that the Territory of Alaska, on the northwestern tip of the American continent, might be recognised as a full-grown state during this year's session of Congress. The close balance of party power in the present Congress explains why the President has no wish to see Alaska fully represented there just now, for the area is expected to elect Democrats. The President's official excuse for leaving out Alaska seems, however, apparently to be that the Republicans, unlike the Democrats, do not think that the Territory is ready for statehood. There is little doubt that the majority of Alaskans, the small businessmen, the salaried workers and the wage-earners (and the politically ambitious), disagree with this view, but the local opponents of statehood are conservatives of a type who carry weight in Republican circles—long-time residents, big businessmen and absentee property owners.

These opponents argue that Alaska cannot afford to support a state government, which would have to undertake functions now financed by the federal government. For



the current biennium the territorial budget is \$25 million and it is estimated that among the additional annual costs of statehood would be \$2,500,000 to protect fish and game, \$2 million to educate the natives, \$1,287,000 to provide a system of courts, prisons and police, \$460,000 to care for the insane and \$7 million to build and maintain roads. All of these expenses are now charges on the federal government. These estimates are, however, questionable and proponents of statehood also maintain that not all of these functions would necessarily be delegated to the new state. But the fact remains that statehood would cost Alaskans, and particularly Alaskan businessmen, money.

The advocates of statehood build their emotional appeal on a revival of the revolutionary rallying cry, "End taxation without representation," but their practical argument is that a state government could foster a tax structure which would attract investment capital and thus help to defray the increased cost of that government. There is no doubt that Alaska offers opportunities to private investors. Its industrial potential is without parallel in the world today. The raw materials known to exist there include iron, chromium, cobalt, molybdenum, nickel, tungsten, copper, lead, zinc, antimony, mercury, platinum, tin, titanium, cadmium, coal,

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State and Municipal Securities	...	46,032,646.16
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Accrued Interest and Accounts Receivable	...	7,033,917.67
Customers' Liability on Acceptances	...	25,358,556.64
Banking Premises	...	14,182,290.93
		<u>\$2,133,918,388.62</u>
LIABILITIES		
Capital	...	\$30,512,000.00
Surplus	...	105,000,000.00
Undivided Profits	...	44,253,260.63
		<u>\$179,765,260.63</u>
Dividend Payable January 15	...	1,678,180.00
Deposits	...	1,907,575,991.08
Reserve for Taxes, Accrued Expenses, etc.	...	15,721,230.10
Acceptances Outstanding	...	29,860,585.05
Less Amount in Portfolio	...	2,938,385.34
		<u>26,922,199.71</u>
Other Liabilities	...	2,255,547.10
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petroleum, natural gas, fluor spar and sulphur. The vast stands of evergreen timber in southeastern Alaska, the rain-soaked fringe of timbered hillocks and islands along the edge of British Columbia, could produce in perpetuity one billion board feet of lumber a year; less than one million board feet is now being cut a year. And Alaska's rivers, if harnessed, could generate eight million kilowatts of hydro-electric power.

Nor is there any doubt that Alaska needs private investment to fill the gap that is already being left by the slackening of government defence spending in this strategic northern area, which lies across the polar air routes and almost touches the Soviet Union, and was the scene of the only battle fought on the American continent in the last war, on Attu. Over \$1.5 billion of government money has been poured into Alaska since 1940, but the network of radar stations and airfields, of military and naval bases, and of roads to link them, is now nearing completion.

This government spending brought a boom that blew up Alaska's mining, fishing and trapping hamlets into "cities": Anchorage, with a population of 3,500 in 1940, is now a metropolitan area of 35,000 inhabitants and Fairbanks has 15,000. Even so, there are only about 8,000 people in either Juneau, the territorial capital, or Ketchikan, the world's salmon capital, while Nome, on the Bering Sea, one of the relics of the gold rush that made Alaska famous over fifty years ago, is now a village of 1,200 inhabitants. Altogether Alaska has a civilian population of only 130,000 in its 586,400 square miles of mountain and tundra and forest which, as the map shows, would stretch more than two-thirds of the way across the United States.

The territory that Seward bought from the Russians in 1867 for two cents an acre is still a frontier, the last frontier of the United States, but it is a streamlined frontier. For in Fairbanks, one hundred miles south of the Arctic circle, the five o'clock traffic is jammed for blocks behind stop lights and parking meters line the pavements where only ten years ago sordoughs tied up their dog teams. The log cabins lit with paraffin lamps are still there, but they lie in the long shadows of 14-storey apartment houses, bristling with television antennae.

★

The main necessity for the twentieth-century pioneer in Alaska is a fat pocket book. Prices are awesome—\$2.50 (nearly £1) for a haircut, \$200 a month for a three-room apartment. This inflation is not just the result of the money the government has been pouring into the territory, and the huge wages it pays, but of high costs of transportation over long routes. Virtually everything, from paper clips to steel girders, must be shipped to Alaska from American and Canadian ports on the Pacific coast, mainly from Seattle, 1,500 miles away. Freight charges by sea are high and even higher on the 470-mile long, government-operated railway, linking the port of Seward with Anchorage and Fairbanks. Still more costly, of course, is air freight, though it is much used for light, perishable and emergency cargoes. Freight also comes by lorry over the Alaska Highway across the Canadian Yukon and British Columbia, but this method brings in pounds where the ship-rail route brings tons.

Altogether there are little more than 1,500 miles of highways in Alaska. Many interior camps and villages are

accessible only by air, slow river barges or, in winter, by tractor trains that travel over frozen ground. This transport problem cuts into development possibilities in two ways. Not only must equipment and supplies be brought in at almost prohibitive cost, but because of the limited, and in most cases non-existent, market in the territory, almost everything produced has to be shipped back to the United States for sale.

The severity of the climate adds to the working difficulties and the hazards of investment; winter temperatures of 50 to 60 degrees below zero are not uncommon, even though by no means all of Alaska is an Arctic wasteland. The US Navy, which spent eight years exploring for petroleum on the northern rim of the continent, had to base its plans on the expectation that its installations might be wiped out in five minutes by the caprices of the climate. Investors take the view that they should be entitled to an easing of tax burdens since wood pulp milling, for example, is a more hazardous venture in Alaska than in Georgia.

But in spite of these geographical obstacles there are investors who have decided that Alaska is not too costly to be worth exploiting. The only tin produced in the United States is being mined north of Nome. The Aluminium Company of America wants to build a plant near Skagway and Canadian and American engineers are sampling a mountain of iron in the same district. In the middle of this year a new wood pulp plant is to be opened near Ketchikan; its output will eventually be over 500 tons a day. Japanese industrial representatives are already trying to arrange to buy lumber for reconstruction purposes in southeastern Alaska and Japan might also provide a market for the ample coal reserves of the interior.

American Notes

Middle Way in Field and Factory

THE President began his series of detailed proposals to Congress for the good of the nation with the two, on agricultural price supports and labour policy, which will directly affect two large and unreliable blocks of voters—the farmers and the trade unionists. And since the middle course which the President is characteristically steering on both these questions, between farmers and taxpaying consumers, between workers and industrialists, is more likely to lose than to gain votes, these are both proposals on which the President will have to fight if he wants them enacted. Even then he is unlikely to win, to judge from first reactions in Congress.

The President made it clear at his press conference this week that he does intend to fight for his farm programme and he has done his best to make it politically feasible. The surplus stocks of commodities now in government hands would be removed from the market, which would mean that price supports would be little, if at all, lower next year. For under the flexible system which is the basis of the Presi-

dent's proposals the level of price supports would fall only when supplies were over-plentiful. Steps would also be taken to ensure that the adjustment to a lower price level would be gradual.

The need for a new start in agricultural policy has been made obvious by the prohibitive cost of the present programme; in any case the present legislation expires this year. But the Taft-Hartley labour law is permanent and so far has not in practice shown any vital defects. Even the trade unions have never seriously argued that it would bring the "slavery" they allege unless there was an economic depression; the fear that such a depression is now imminent may, however, give fresh urgency to criticism of the Act. Meanwhile the lack of detail in the labour message, much less specific than the farm one, suggests that the President does not feel so strongly about it. All the signs are that Congress will avoid a decision on it; this should not be difficult in view of the heavy programme to be gone through before July.

No Labour Dispute

THE only entirely new proposal in the labour message is that the government should hold a secret vote of all the workers in any plant in which there is a strike, to make sure that they really want a stoppage. This will hardly appeal to the trade unions, nor will the evidence that the President is now leaning to the side of the states in the controversy over which law should prevail when state legislation conflicts with the Taft-Hartley Act. A recent Supreme Court decision on picketing came down decisively in favour of the federal law, which is usually more liberal, but the President has not yet made up his mind on how much the legislation should be changed to cover such conflicts of jurisdiction. Certain proposed relaxations in the law when applied to construction, and other industries where employment is casual, would benefit a few unions, but another so-called improvement, the requirement that employers should also sign anti-Communist affidavits, is welcomed by labour only with sardonic laughter.

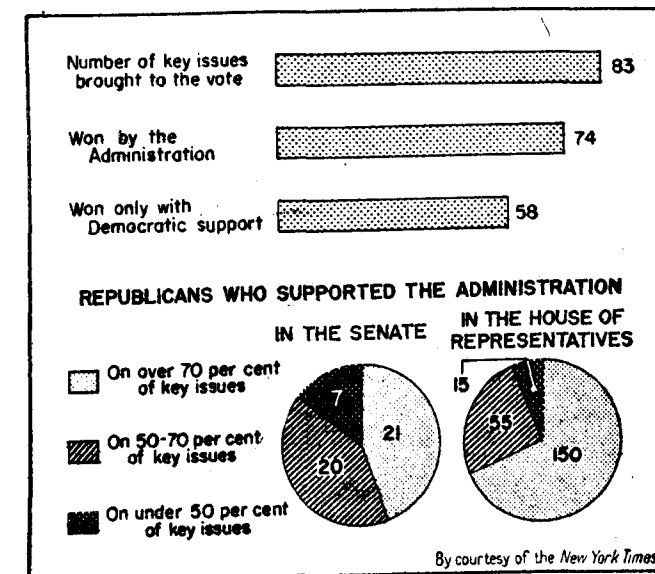
The President's other election promise to labour, to repeal the "union-busting" clause of the Act, would be redeemed by the proposed changes in the provisions governing the holding of elections during strikes, to decide which union should represent the workers in a factory. The President also recommended a relaxation, although not an abolition, of the ban on secondary boycotts and recognised the growing importance of welfare and pension funds in collective bargaining by asking Congress to examine them thoroughly.

The combined product of the sixteen proposed changes, none of them fundamental, is a programme that clings firmly to the middle of the road and as a result pleases no one. It is even less attractive to the trade unions than the one which failed to get as far as Congress last summer, but nevertheless it is little more satisfactory to businessmen than was its predecessor. For once both sides agree: there is no dispute between labour and management about the inadequacy of a middle road approach to amending the Taft-Hartley Act.

Minority Rule

THE death of Senator Taft and his replacement by a Democrat, and elections to the House, have made the Administration even more dependent than it was in the last session upon Democratic support. Then, as the chart shows, Democrats provided the margin of victory in more than half of the divisions on important issues. This week the Republicans would not have been able to control the Senate save for the vote of the maverick Senator Morse, for he is the 96th in a body of 47 Republicans and 48 Democrats. They would not have been able to retain control of

WHO SUPPORTED THE ADMINISTRATION IN THE 1953 SESSION OF CONGRESS?



the all-important committees if the Democrats had not agreed to allow them to do so.

Under the law each member of the majority party is entitled to two committee assignments and fourteen of its Senators may be given three each if this is necessary to produce a majority on every committee. But even this concession has had to be unofficially enlarged by an agreement allowing the Republicans to give four more of their members three committee posts each. The position of the Eisenhower Republicans, who in the Senate at least are only a minority of a minority, is much worse; and in neither chamber do they hold many of the positions of real power, the chairmanships of committees.

The Democrats, however, are showing little jubilation at their strength; it is, indeed, a puzzle how to use it, assuming, what is seldom the case, that the party might vote as a unit. Many of their leaders believe that, with the President's popularity back at its original peak, outright partisanship would be political suicide. In any case, Democrats can hardly vote against causes they believe in simply because the Republicans' leader has embraced them. In the view of Mr Lyndon Johnson, the Democratic leader in the Senate, the right thing to do is to lie low, support the President's foreign policy and trust that, with time and a little judicious Democratic help, the Republicans will destroy themselves in the bitter differences over taxes, farm policy, and international trade, which are already beginning to appear. For conservatives from the South, who have no

real opposition at election time, this may do, but liberals from the North, who have to fight for their seats, wonder whether Democratic voters will think that they have earned re-election by rescuing a Republican President from his own party.

McCarthy Joins the Team

THE elevation of Senator McCarthy to a place on the Rules Committee, which among its other duties supervises the funds for the Senate's investigators, has come as a rude shock to those who hoped that the growing irritation with the Senator from Wisconsin among both Republicans and Democrats meant that he was about to be brought to heel. One of the most effective ways of doing this would have been by restricting his supply of money. The Administration, however, apparently believes it can tame Senator McCarthy by a judicious blend of kindness and threats, and that it cannot afford to incur his enmity.

Senator McCarthy's anti-Communist crusade has been a thorn in Republican flesh for, while his methods brought discredit on the whole party, when there was credit to be gained it was seldom shared with the Administration. The annoyance of other committee chairmen with his trespasses upon their preserves provided an opportune moment to encourage him to look for fresh pastures.

That there has been a deal of any kind is hotly denied by the Senator. But his newest investigations are to be concerned with the compromise settlement of tax cases under the Truman Administration and corruption among Democratic officials in Alaska. One of the factors that is said to have influenced the Senator to change course was the threat that any new anti-Communist leads discovered by the Administration would be given to the Jenner subcommittee on internal security; this, unlike Senator McCarthy's committee, has a charter to investigate subversion and can be trusted to do it in a more respectable fashion. It was represented to Senator McCarthy, apparently, that under a Republican Administration the search for traitors in government was a dying trade, and that a rich vein in cases involving Democratic corruption and favouritism would be opened up for him if he co-operated with the Administration. Perhaps the Senator can be trusted not to bite the hand that feeds him headlines, but only political expediency would seem to prompt the experiment. Presumably this is the first example of the President's new-found determination to keep the Congressional members of his party in line by using all the means at his disposal.

Men Without a Country

NONE of President Eisenhower's proposals to Congress was received with more enthusiasm than his suggestion that Americans convicted of conspiring to overthrow the government should lose their citizenship. None is inspiring more second thoughts or causing more bewilderment among Congressmen and constitutional lawyers.

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Under present law, Americans may lose their citizenship for a number of reasons, such as swearing allegiance to a foreign power or voting in a foreign election, committing treason or trying to overthrow the government. The President would broaden the last cause to cover conspiring to overthrow the government and apply it to such Communists as may be convicted in the future under the Smith Act. Senator Margaret Chase Smith has already introduced a Bill to carry out the President's wishes.

For a naturalised American, loss of citizenship means deportation. For a native-born American, it means loss of a passport and the right to travel; he would be a stateless alien, a man without a country, not allowed to vote, hold public office, serve on a jury or, in some states, to enter certain professions. As an alien, he would have to register with the police and be finger-printed. There are real doubts, however, about the constitutionality of depriving the native-born of citizenship which will not be resolved until there is a court test. There are even stronger doubts about the urgency of such ferocious legislation except as proof, if proof be needed, that the Administration is second to none in its detestation of Communism.

Already, convicted Communist conspirators are punished with fines and long prison sentences; like ordinary criminals, they lose their civil rights, such as the right to vote or hold public office. To deport the foreign-born and create in America a tiny band of stateless aliens may give emotional satisfaction in some quarters, but it is more likely to confirm Communists than to cure them. It is a cause for regret, as the *New York Times* observes, that when the President made this ill-considered proposal he did not also see fit to stress the dangers to individual liberties created by the search for internal security.

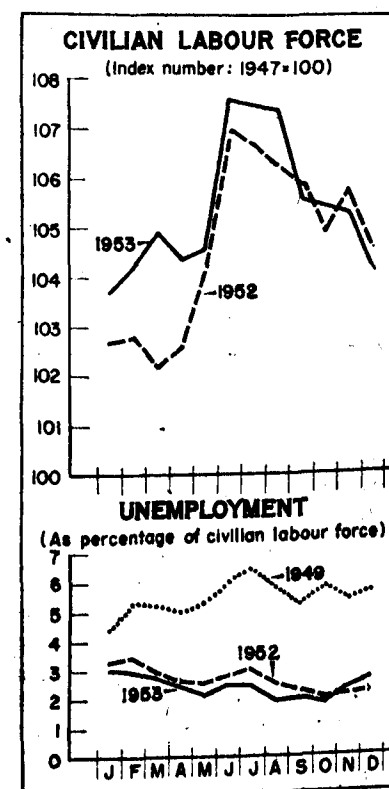
How Much Unemployment?

THE official attitude to the December employment figures, as indeed to most of the recent disquieting economic indications, was that they might have been much worse. But unfortunately everyone knows that in fact by now they are worse, and that the January count will probably find over two million out of work. Since there is always a seasonal fall in farm employment in winter, the most disturbing feature of the December figures was the failure of non-agricultural employment to rise; in a month in which the Christmas rush brought an increase in the number of jobs in retail trade, this could only mean a substantial fall in factory employment. Since then there has been a further series of layoffs as a result, not merely of seasonal factors, but of declining traffic on the railways and reduced demand for automobiles and other manufactured products. The Studebaker plant, for example, is working at only just over half strength, and the Baltimore and Ohio Railroad has laid off 6,000 workers. There has been a sharp rise in the number of claims for unemployment benefit.

Even now the number out of work is well below the 5 per cent of the civilian labour force that was unemployed as recently as 1950, and looks infinitesimal compared with the 17 per cent of 1939. But another unsatisfactory feature of the employment statistics is that for the last two months

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the total civilian labour force, at 62,614,000 in December, has been running at a slightly lower figure than for the same months of the previous year. Since the number of



people of working age is increasing, this can only mean that the full extent of current unemployment is being hidden because some of those who have lost their jobs, housewives and old persons in particular, are staying at home instead of looking for work. This concealed unemployment, about which labour spokesmen are especially concerned, also appears in shorter working hours and lower overtime earnings; these, and the fall in employment, explain the drop in personal incomes in November. It is encouraging that this does not seem to have damaged Christmas trade. Shopkeepers, feeling that customers are, after all, still in a spending mood, hope that the January sales will clear their shelves for new spring goods. The inventory reductions that began in the autumn are the reason for the subsequent rise in unemployment, and the sooner that stocks can be cleared to make way for new orders, then the sooner will the end be in sight of what is now generally accepted as an inventory recession. Many Americans will, incidentally, be particularly pleased if Mr Colin Clark's forecast of a coming depression can thus be disproved, for they have been affronted by his lack of faith in their economic vitality.

SHORTER NOTES

President Eisenhower has avoided an inevitable battle with Congress by dropping his request for the repeal of the automatic increase in the social security tax; this rose on January 1st from 1½ to 2 per cent and, as far as the lower wage-earning groups were concerned, more than cancelled out the benefits of the fall in income tax rates. Congress is, however, being asked to make general revisions in both the social security and the tax laws during its current session.

Correction:—In the discussion of the Federal Reserve Board's new index for industrial production, on page 27 of the issue of January 2nd, the base of the old index was incorrectly given as 1937 to 1939; it was in fact 1935 to 1939.

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Condensed Statement of Condition December 31, 1953.

(Figures of Overseas Branches as of December 24, 1953)

RESOURCES

Cash in Vault and in Banks	\$1,557,597,136.69
United States Government Securities and Securities Guaranteed by the Government.....	1,669,423,368.98
Federal Agency Securities.....	185,205,454.83
State, County and Municipal Securities	557,704,312.06
Other Securities	119,272,485.48
Loans Guaranteed or Insured by the United States Government or its Agencies	1,171,843,741.90
Other Loans and Discounts	2,976,869,992.59
Bank Premises, Fixtures, etc.	66,917,949.97
Customers' Liability on Letters of Credit, etc.....	159,764,351.55
Accrued Interest and Other Resources	37,162,927.60
TOTAL RESOURCES	\$8,501,761,721.65

LIABILITIES

Capital	\$150,000,000.00
Surplus	200,000,000.00
Undivided Profits and Reserves	91,363,762.89
TOTAL CAPITAL FUNDS	\$441,363,762.89
Reserve for Possible Loan Losses	56,327,507.82
Deposits { Demand	\$4,011,099,065.65 }
{ Savings and Time	3,733,101,030.26 }
Liability for Letters of Credit, etc.	164,835,852.65
Reserve for Interest, Taxes, etc.	95,034,502.38
TOTAL LIABILITIES	\$8,501,761,721.65

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Condensed Statement of Condition December 31, 1953.

RESOURCES

Cash in Vault and in Banks	\$36,294,686.65
United States Government Obligations	13,747,119.69
Other Securities	62,128.00
Loans and Discounts	37,797,664.87
Customers' Liability on Letters of Credit, etc. ...	40,065,275.52
Accrued Interest and Other Resources	518,553.83
TOTAL RESOURCES.....	\$128,485,428.56

LIABILITIES

Capital	\$10,000,000.00
Surplus	3,000,000.00
Undivided Profits	618,984.26
Total Capital Funds	\$13,618,984.26
Reserve for Possible Loan Losses	600,000.00
Deposits	72,530,987.29
Liability for Letters of Credit, etc.	41,084,324.71
Reserve for Interest, Taxes, etc.	651,132.30
TOTAL LIABILITIES	\$128,485,428.56

COMBINED RESOURCES OVER \$8,600,000,000

The World Overseas

Second Line in South East Asia

RECENT developments in Indo-China have raised the question of the capacity of Siam to resist a further advance of Communism into South East Asia if its neighbour were to fall under the sway of Ho Chi Minh. Vietminh forces are already on the frontier of Siam, and the extension of Communism from Vietnam to Laos by the creation of a Laotian People's Army has given the conquering creed a foothold among a people closely akin (as the Vietnamese are not) to the Siamese.

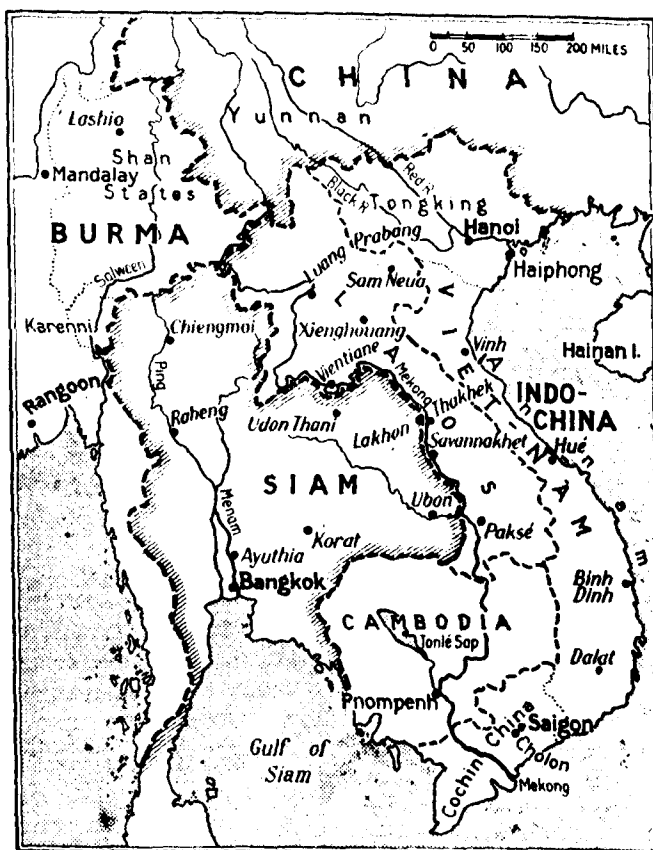
It has been claimed that any attempt to defend Siam after failing to take action to stop Communism in Indo-China would be like the guarantee given to Poland in 1939 after Czechoslovakia had been abandoned to Hitler. It is not, however, simply a question of whether to resist an earlier or a later phase of a hostile expansion. Siam certainly provides a better political ground for organising resistance to a movement with a nationalist and Pan-Asian appeal than do the states of Indo-China: for it succeeded in maintaining its independence throughout the colonial era, whereas Indo-China came under French rule. Ho Chi Minh has gained the support of a large part of the Vietnamese people as leader of a struggle for national independence; in Siam, on the contrary, there has never been any foreign rule against which to revolt, and Communism must rely on other forms of appeal than that of liberation from an alien yoke. This contrast has its consequences also outside South East Asia, wherever there are strong sentiments of antipathy to European colonial empires; thus Mr Nehru, whose moral support has been given to the Vietminh against the French, cannot deny the purely Asian and national character of the Siamese government, however much he may dislike its policies.

As against this political advantage in Siam's position must be set the traditional tendency of its policy towards neutrality, or inclination to the immediately stronger side in Great Power conflicts. In the early years of the century Siam maintained itself by adroit balancing between British and French interests. Later, when Japan invaded South East Asia and it was clear that Britain did not have sufficient forces on the spot to afford protection, Siam went over to the side of Japan and was rewarded with slices of territory from Burma and Malaya. The annexations had to be renounced at the end of the Pacific war, but by its policy Siam escaped the ravages of a resisted Japanese invasion, and also those of Allied counter-invasion; for Japan surrendered before the fighting front had reached the Siamese border.

Nor did Siam suffer any really unpleasant consequences afterwards for having been on the losing side; for the United States never regarded itself as being at war with Siam (in accordance with the American constitutional doctrine that the United States cannot be at war except by an Act of Congress) and Britain could not afford to be too severe with Siam if America was being lenient. As a result of

all this, which is a matter of recent memory, the Siamese are disposed to rely on suppleness rather than strength to get through difficult situations, and much of the popularity of Marshal Pibul Songgram, who returned to power by a *coup d'état* in 1947 after a temporary eclipse, is due to admiration for his apparent skill in steering Siam through the Pacific war. It may, therefore, be argued that if a Chinese, instead of a Japanese, army were standing on the Mekong, the Siamese response to the threat would probably be the same as it was in 1941.

There are, nevertheless, reasons why neither the govern-



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ing political group nor the Siamese people in general would have as much incentive for submission to a Chinese-Vietminh invasion as they had for giving way to Japan. The control imposed by the Japanese on Siam was of an external and non-ideological kind; there was no considerable Japanese community within the country, and Japan was only too glad to allow the existing holders of power to carry on, provided they were willing to take their place in a Japanese-controlled "Greater East Asia." But in present circumstances a Chinese ascendancy would certainly mean both a domination by the local Communists at the expense of Marshal Pibul and his followers and a transformation in the relations of the large Chinese minority with the native Siamese; it would involve political and social changes reaching down into every village.

Siam ranks second after Malaya among the South East Asian countries in the numerical ratio of the Chinese community to the total population—though there is controversy as to the exact figures—and Siamese nationalism, as it has developed over the past twenty years, has been strongly antipathetic both to the economically powerful Chinese minority and to China as its potential backer. For the Siamese, therefore, apart from a few convinced Communists, the ideological issue can be reduced to a national resistance to an anticipated Chinese ascendancy operating through the Chinese community inside the country.

How much of a Fifth Column?

All this, of course, cuts both ways. It makes nationally conscious Siamese more inclined to resist than if they were faced with a merely external domination of their country, but it also means that in a crisis China would have an important fifth column of supporters within the frontiers, both on ethnic and on ideological grounds. Just how far the Chinese in Siam would in the event rally to Peking is a matter for speculation. There are certainly many among the younger generation who have become infatuated with the glory and greatness of the new China, to which they regard themselves as belonging, and would welcome and work for an extension of Peking's power over the whole region. On the other hand, their community in Siam is predominantly bourgeois in its social composition, and news from China has not encouraged them to look forward to subjection to a Communist regime.

In the last resort, however, the degree of Siamese national resistance to any southward move by Communist China would depend on the degree to which effective aid from America could be expected in an emergency. It is not likely that this would be forthcoming, or promised, in the form of troops, as it was in Korea. It would not be sufficient merely to provide arms, since the Siamese would be numerically inferior to Vietnam, even without a direct Chinese intervention. The recent remarks of Mr Dulles about the new American policy of relying on capacity for retaliation rather than local defence as a deterrent to aggression suggest in this case direct action against the bases and communications of an invading force rather than backing arms and men into Siam. But there would still have to be something solid to defend, and politically this is a matter of the internal stability of the country. It might also be the pivot for a wider grouping; the Siamese representative in Phnompenh, the capital of Cambodia, has just proposed that Siam, Cambodia and Laos should form a defence union, presumably leaving Vietnam to its own

devices. This suggestion has not been welcomed by the French, but in view of the extremely artificial character of "Indo-China"—formed by the union of three separate nationalities under French rule—such a regrouping of states is by no means out of the question. The problem is where and how Communist power could still be contained even if Vietnam were to be lost.

Writers in Soviet Russia—I

The Mark of the Collar

THE cares of the mind follow those of the body. The Soviet public has been lately promised greater material comforts, better clothing and food. Now in turn, it is promised better food for thought and better quality entertainment. It is freely admitted that the literary output of the Stalinist regime was scarcely superior to its production of consumer goods. The stereotyped plays, the prefabricated novels, the fifty shilling poems and criticism made to measure offended not only the intelligentsia but also the millions of new recruits to culture.

"Can one compare Soviet society with Tsarist Russia? And yet our classical authors wrote better. . . . Why have we no Gogols or Chekhovs?" a real or imaginary Lenin-grad engineer asks Ilya Ehrenburg, the well-known Russian writer. The gist of Ehrenburg's answer is that it is difficult to produce masterpieces depicting a changing scene, like Soviet society in transition. A third of a century has passed since the Bolshevik revolution, but during that time all energies were harnessed to economic development. In societies, as in human bodies, rapid physical growth is often accompanied by mental stagnation. This, however, does not explain everything. Like the domesticated dog in La Fontaine's fable, the Soviet writers try to hide the root of the trouble, the mark of the collar on their necks. They cannot write better because they are under a restraint which makes Tsarist fetters look gentle by comparison.

Amenities for Authors

True, they are well looked after, and many budding western authors may look with envy at some of the amenities. The Soviet writer has no need to aim below the belt of his reader. He does not compete with cheap thrillers or semi-pornographic trash. Materially it could be said that the Soviet writer fares better than Soviet literature. His earnings are good. Despite the notorious overcrowding, accommodation will be found for him in the town as well as room in a writers' home in the countryside. He is likely to own a car, which is a luxury for the Soviet citizen. What is more important, he is assured of good channels of expression and a wide public. There are many literary weeklies in all the republics; in Moscow alone there are three fat monthlies devoted to new writing and criticism. The 500 professional theatres and the thousands of amateur companies cry out for new plays. Books are translated into scores of languages. Stalin-prize winners, those Soviet best-sellers, are published in millions of copies. Novels enjoy a circulation of which a Tolstoy or Dostoyevsky could not dream, because in their time Russia had only a small educated élite, while now it has almost no illiterates and writers can keep in contact with their new readers through lecture and discussion tours.

But writers have had to pay a price for these benefits. The price has been a strait-jacket of absolute conformity not to revolutionary principles but to the latest directives of the Party. Gogol prefaced his *Government Inspector* with the motto: "Don't blame the mirror if the mug is ugly." Stalinist rulers, however, thought otherwise and have transformed writers into "beauticians," into Max Factors of Soviet society. Even when wrinkles are allowed, they must not exceed the duly prescribed quantity. In following the zigzags of the Party line the writer must tread carefully, for fear of falling into the pitfalls of modernism, formalism or any other dangerous deviation.

Such ruthless control was not imposed all at once. In its early days the regime gave writers great latitude as long as they did not indulge in open counter-revolutionary activity. Many freely linked their fortunes with that of the revolution. Admittedly, some could not fit into the new pattern and, like the poet Sergiy Yessenin, sought a way out in suicide. But when the most celebrated Soviet poet, Vladimir Mayakovsky, committed suicide in 1930 it was already because the air of the Stalinist regime was stifling. In Stalin's struggle against the opposition and in the following purges many writers fell by the wayside. Those who, like the novelists Babel or Pilniak, refused to abandon the primary duty of a revolutionary writer, to unmask injustices and cry them from the rooftops, paid with their lives. This method of selection favoured the survival of the skilful, the opportunists, the chameleons. A few were allowed to withdraw into silence or to limit their activity to translations from foreign languages. For the majority, even the historians, there was no such easy way out. By the late thirties Stalin had reduced Soviet literature to a crude utilitarian weapon of propaganda.

"Something is Missing"

On the eve of the war and during the fighting this weapon was used chiefly to foster national patriotism, to rally the troops for the holy war and to boost the morals in the rear. But after the end of the conflict there were signs of relaxation. Poets were allowed to echo the sorrow of widows and mourning mothers. Humourists dared to mock. As a hangover from the honeymoon period many modern western books were translated and plays produced. But Russia could not afford to do nothing but mourn its dead. Writers had to be mobilised for the task of reconstruction, while the cold war made flirtations with western ideas dangerous. Literary individualists could not be allowed to break the ranks and an immediate return to prewar regimentation was ordered. The new period was called "Zhdanovism," after Andrei Zhdanov, who in 1946 launched the attack against "modernists," "escapists," "bourgeois deviationists" and "grovellers before the West." Plays had to be withdrawn, books rewritten; the strait-jacket was reimposed.

But even Soviet leaders must have become aware that the crude utilitarian weapon was no longer appropriate for its purpose. It was suitable when millions of semi-literate *muzhiks* were making their first acquaintance with the written word, but in the meantime the industrial revolution had produced a large intelligentsia. Millions went to schools and colleges and they were brought up on Marxist criticism and Russian revolutionary tradition. The works of foreign and Russian masters have poured out in millions of copies from the State publishing houses, and with such reading made compulsory the Soviet public could not be

deceived for ever by the artificial concoctions of their own writers. Many must have wondered like Ehrenburg's correspondent from Leningrad "... Why was it written? Apparently it has everything, but something is missing. The book does not grip your heart and the men are not shown as they really are."

When propaganda has this effect on the recipient it ceases to be effective. So once again Stalinism was torn by its contradictions. It could not educate its subjects and treat them as illiterates; it could not offer them the tools and methods of critical thought and then prevent them from being applied to their own environment. The disparity between literature and reality became too flagrant. In 1952 a first attempt was made to throw off the Zhdanovist yoke. Critics began to discuss the role of positive and negative heroes in Soviet life and letters. This apparently abstract and innocuous debate was in fact threatening, though in veiled and cautious terms, the basic axiom of all Stalinist writing, that "all is for the best in the best of Soviet societies."

Georgi Malenkov clearly stood behind this anti-Zhdanovist trend, since it was he who, at the Party congress held in the same year, told writers not to forget the black colours on their palette when painting a picture of Soviet life. The writers hesitated to take the risk, and their caution proved wise. For soon after the Congress the vigilance campaign was restarted with renewed vigour, and "Zhdanovism" is the natural companion of vigilance. It was not until Stalin died that Malenkov could try again to inject some fresh blood into the shrivelled body of Soviet literature.

(To be concluded)

Rebuilding North Korea

IT seems to have been decided, whether by the Russians or the Chinese, that at all costs North Korea must not be outdistanced by its southern rivals in the race to post-war recovery. Which of the two masters cracks the whip is not yet clear, though since the purge in North Korea last August Chinese influence seems to have grown. Soon after the truce was signed Kim Il Sung went to Moscow to discuss Soviet aid. An agreement giving North Korea assistance to the tune of 1,000 million roubles (nominally about £90 million) was signed in September. It looked as though China had been outbid; but in November it came up with an offer of 8 million million yuan (nominally about £100 million), a shade more than the Soviet offer.

Meanwhile, all the east European Communist governments had "spontaneously" rallied to the cause. Czechoslovakia undertook to build, "without compensation," a number of factories, including an automobile factory, which by 1957 is expected to produce 6,000 cars annually. Poland is to erect a locomotive repair factory and to repair other plants and mines. Hungary, besides supplying technical aid and materials, will build an organic chemical factory. East Germany, Rumania and Bulgaria—and even Albania—have likewise undertaken to give material and technical assistance. In the main the Russians are devoting their energies to renovating heavy industry with special attention to the Yalu generating plants. But China, being late in the field, is stuck with light industry and agriculture.

This windfall of "aid from our fraternal countries,"

seems to be causing headaches in Pyongyang. After his visit to Moscow Kim Il Sung had decreed the orthodox Stalinist priority for heavy industry. But by December he had changed his tune. Outlining the three-year reconstruction programme now beginning, he said

the main feature of Korea's postwar reconstruction is to expand many factories of light industry ... with a view to raising the people's living standards.

This can hardly be North Korea's "new course" because it never had an old one. A more plausible explanation is that the Chinese, who may still have secret fears of Soviet encirclement down the Korean peninsula and certainly have fresh memories of Soviet imperialism in Manchuria, have now firmly assumed command in North Korea.

The Swedish Economy in 1953

IT would be hard to find fault with the steady, almost routine, progress of the Swedish economy in 1953. Indeed, the Organisation for European Economic Co-operation (OEEC) had little else to advise in its recent country study except "caution in future internal financial policy."

The year has seen no sign of a revival of the inflationary pressures of 1951. Money demands appear to be approximately in equilibrium with the available real resources, and as a result prices have remained fairly stable. There has been a tendency for the wholesale price index to fall but as yet this has not affected the cost of living. On the cost side, the wage level has remained constant, and so far as can be judged, the forthcoming round of annual wage negotiations, will not result in any marked rise in the wage level; there is in any event little scope for a rise. Contrary to expectations private investment demands have been at a high level, and as the government has no intention of cutting its own programmes, a threat to stability might develop from this quarter. Moreover, a decline in private savings suggests that private consumption expenditures have increased; but the danger of inflation arising from over-blown home demands on the economy's resources, must be taken in conjunction with the equally possible recessionary trends in the outside world.

Industrial production up to the end of October was, on the average, at the same level as in 1952; but fortunes were not equally shared by the different industries. The pulp and paper industries have done well, with shipments for export some 50 per cent and 30 per cent respectively better than last year. Prices, which had earlier fallen as a result of competition in export markets, had recovered by the end of the year. The timber industry likewise did better than expected as prices, which had fallen during the early part of the year, staged a sharp recovery during October. On the other hand the metal using industries, particularly those which serve the export market have been less well placed. It is in this sector that Swedish costs, which have risen more than the average world costs, are a handicap. The building industry, stimulated by low rates of interest and the government's own building programme, has gone from strength to strength. Agricultural production likewise has had a good year. As a result both of

good harvests and increased acreage output is expected to be higher than in 1952.

In foreign trade the year has witnessed a reduction in the Swedish balance of trade, due mainly to a fall in the value of imports. The volume of exports has increased; but owing to more competitive conditions abroad the total value has fallen. As for invisible transactions, the income of Swedish shipping, though affected by the low level of freights, has with the other invisible items been sufficient to cancel out the visible deficit. In consequence Sweden's holdings of gold and foreign exchange have increased. Particularly striking in the Swedish trade figures during 1953 is the decrease in trade with the Soviet Union and the East European bloc, which had by June fallen by more than 50 per cent. On the other hand the trade balance with the dollar area had improved materially.

Sweden's policies still continue to be based on the maintenance of the welfare state. Full employment is the major preoccupation of the government and, indeed, unemployment continues at a low level. But during the year steps were taken to expand the armoury of controls—monetary and fiscal—to maintain the economy on an even keel. Monetary policy has come to play a bigger part, though so far the Swedish authorities have not fully resorted to the interest rate mechanism. On the whole a policy of

THE SWEDISH ECONOMY

	Period	Unit	1952	1953
Indust. production...	Jan.-Oct.	1935=100	199.4	199.0
Unemployment....	November	Thousands	19.4	24.8
Building:—				
Starts.....	Jan.-Oct.	Number	34,050	40,250
Completed.....	"	"	30,450	31,900
Imports:—				
By value.....	Jan.-Sept.	Mn. kroner	6,793	5,910
By volume.....	"	1948=100	119	113
Exports:—				
By value.....	"	Mn. kroner	6,031	5,462
By volume.....	"	1948=100	126	135
Balance of trade..	"	Mn. kroner	-762	-630
Prices:—				
Wholesale.....	Jan.-Oct.	1948=100	319	298
Retail.....	"	"	211	212
Wages:—				
Men, hourly rate	August	Kroner	3.76	3.88
Riksbank:—				
Gold and foreign exchange....	November	Mn. kroner	2,304	2,547
Note circulation..	"	"	4,291	4,511
Commercial Banks:—				
Deposits.....	"	"	10,165	11,817
Advances.....	"	"	9,871	9,824
Govt. securities & bonds.....	"	"	2,059	3,540

cheap but scarce money is being followed, with the result that the Riksbank has had to resort to a policy of direct as well as moral control over the operations of the banks and other financial institutions.

An economy in which foreign trade plays such an important part—foreign trade is more than 50 per cent of the gross national product—has of necessity to shape its policies according to the trend of events in the world at large. At present Sweden's economic policy appears to be better adjusted to a recession in the world than to a continuance of the *status quo*.

Spaniards and the Bases

BY A CORRESPONDENT LATELY IN SPAIN

THE conclusion of the recent United States-Spanish agreement has been joyfully hailed by official circles in Madrid as a major success for Spanish policy. In the country at large there is a feeling of "wait and see." The two principal fears are of inflation and of the impact of the Americans and their ideas.

If you ask a Spaniard in any walk of life what he thinks will happen when the Americans come, the answer, nine times out of ten, will be that the price of everything will go up. The Government is well aware of this prevailing fear of inflation and besides planning, in co-operation with the American authorities, to take steps which it hopes will prevent it, it has instigated a campaign of speeches by government officials and of articles in the controlled press of a "soothing syrup" variety. The editor of a provincial newspaper with a large circulation expressed in private conversation his serious fears of inflation on the very same day that his paper had carried an editorial expressing the government line that there would be none. Those who can afford to do so are building up stocks because they are convinced that by next year things will be double the price. Among the moderately well to do the atmosphere is beginning to be a little reminiscent of the panic buying in Spain in the early days of the war. There is a gloomy awareness, too, that the days of cheap domestic labour are likely to be numbered, partly because of the unpopular American habit of paying more than anyone else can afford, but perhaps even more because it is felt that the Americans will bring with them an increased tempo of industrialisation with its consequent drain on the labour market.

In business and financial circles full information on how it is proposed to spend the \$85 million to be devoted to economic improvement has been anxiously awaited; but it is felt that some degree of inflation is unavoidable. Little doubt is felt that there are bound to be shortages of those materials, such as cement, which will be required for building the bases and the much-needed housing programme will probably be among the first to suffer. Already the black market price of cement has risen considerably.

Pride—and Prejudice

The Government is well aware, too, of the dangers inherent in the impact of American personnel on the Spanish public, and it is probable that the delay in the negotiations was in part due to this problem. To a people with as fierce a national pride as the Spanish, the situation will be fraught with explosive possibilities and already tales are circulating of incidents which have occurred in the north of Spain when Americans from their base in France have crossed the frontier.

"There won't half be trouble if the Americans start trifling with our girls," said one working-class young man in his native Andalusia. "In this country we know each other from childhood, marry and stay faithful until we die. We don't want American customs here; it would have been far better to have continued making slow but steady progress on our own." Another Spaniard was convinced that General Franco had arranged that only married Americans, accompanied by their wives and families, should man the bases. Church circles also fear the introduction of moral

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laxity. The problem assumes far greater proportions in country like Spain, whose outlook on women, particularly in the south, derives from its Moorish past and where deep-rooted natural instincts on the subject are supported by the strong influence of the Church.

There has naturally been a great deal of speculation on the whereabouts of the naval and air bases. American sources have recently given the naval bases as El Ferrol, Cadiz, Cartagena, Mahon and Palma, but at the time of writing this information has not been confirmed by the Spanish Government. Many natives of El Ferrol who are also supporters of General Franco will be gravely disappointed if their native city, which is Spain's finest naval base, is indeed to be at the disposal of the U.S. fleet. El Ferrol is also Franco's native city and for this reason they have boasted that he would never allow it to become an American base.



Spaniards have been conditioned by a long series of disappointments not to expect too much from American aid. When at last they did secure an American loan in 1951 proceedings were at snail's pace and credits under the loan have still not been entirely exhausted. It was, therefore, less of a disappointment than it might otherwise have been to find that the credits to be made available under the agreement were comparatively small. The cynical view of American aid taken by most Spaniards is reflected in an amusing film "Welcome, Mr Marshall," which was shown throughout Spain in 1953. A Spanish village, keyed up to a fever of expectancy after elaborate preparations to receive a Marshall Aid delegation, has its hopes dashed when several large American cars speed through the village, the last bearing a placard on which is written "Goodbye."

"American aid will never reach us, it will only serve to make the rich richer" is the usual reaction of any working-class person. This view is endorsed by authorities who should know, to the extent that they think it will be a very long time before the working-class is likely to benefit and that meanwhile the intervening period of inflation is likely to prove the reverse of beneficial to those who already find mere existence a hard struggle.

There are optimists among General Franco's opponents who believe that the coming of the Americans will inexorably, though gradually, force the regime to adopt more democratic methods. The American version of these, however, has suffered in reputation in Spain, as elsewhere in Europe, because of Senator McCarthy. A story has been

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circulating in Madrid that the Spanish Government intends to impose restrictions on the American model to prevent Americans who had ever been freemasons (who with "liberals" are anathema to the Franco Government) from entering the country; the story may not be true but it is an interesting comment on the hopes of the optimists.

It would be difficult to imagine two countries more different in outlook than Spain and the United States. Spain is *par excellence* the country of spiritual values and of Don Quixotes tilting at windmills, albeit with a shrewd streak of Sancho Panza's realism thrown in. The more practical and materialistic standards of the United States hold little appeal. When surprise was expressed at the tardiness of Spanish companies in tendering for construction work at the American bases, the explanation said to have been given was that it is not considered courteous by Spaniards to hustle. The American impact on Spain should indeed prove interesting to watch.

India and Africa

FROM OUR BOMBAY CORRESPONDENT

MANY sinister and excited explanations have been offered for India's interest in Africa. The facts are, by comparison, quite drab. All that Indians do is to apply to Africa a few simple principles which they originally learned from England, by which they obtained their own independence and which, for them, have been proved beyond argument by the success of August 15, 1947. These principles are all very Victorian. Votes for all, the right to self-government, the right to agitate, condemnation of terror, racial and religious equality, it all sounds like a Liberal programme of the 1880s. Even Mr Nehru's lectures on the need for colonialism to give way to the new nationalism often sound oddly like the lectures to the Hapsburgs about Slavs and Italians of which Englishmen were so fond before 1914.

The key to all Indian views on Africa is the belief that one white man equals one black man, and only one black man. This belief, which India shares with all the newly freed countries of Asia is, perhaps, the most deeply held of all Indian attitudes to the world, for it is a belief enforced upon India by its interest, its history, and its ideals alike. Indians have indeed experienced the bitterness of racial discrimination in their own country sufficiently recently for the memory still to be raw. When Mr Nehru says that he wishes to interfere in nobody's internal affairs, but that racial discrimination always and everywhere touches India, to every Indian he is merely repeating a truism. Indians are, moreover, hardened in their hatred of discrimination by their knowledge that, in their own country, they are doing their best to get rid of it.

From the belief in racial equality flows all the rest of Indian attitudes. In British West Africa, where whites have no privileges, Africans are ministers, and the goal is obviously Dominion status, there Indians have only approval for British policy, and quite accept that time is required for a final consummation. The moderation of Mr Nkrumah is admired and the compromise reached at the London conference on Nigeria was regarded as much more sensible than the cry of "Independence by 1956." Indians already look forward to the day when they will welcome these West African colonies into the Commonwealth.

Indian hostility arises only in those areas where there is a resident white population, and where it is felt that these resident whites are being given an undue share of privilege and power. In these cases every Indian identifies himself at once with the African (not, be it noted, with the local Indian). No Indian stops even to wonder whether, perhaps, Africa is not still at the stage of India a hundred years ago, and whether foreign rule there may not, perhaps, still have something to offer; or if he does, he blames the colonial power and the settlers that it should be so. If the Kenyan African or the Tunisian Arab is not ready for self-government in the Gold Coast style, then Indians feel it must be because their people have been deliberately kept back. And they find this keeping back not only wrong but foolish; for they fear that the South African nationalists and the French colons are bulldozing a path for Moscow.

The Common Sense of the Common Man

Indians indeed feel that the future of the white settler lies not in privileges but in leadership. They do not accept that it must for ever be his right to guide and to rule; they do accept that he has a great contribution to make and that the African may well, for years to come, repay that contribution by support. Once again the Indian view stems from India's own experience. The Indian Constitution, by one of the great decisions of history, gave a vote to every Indian, literate or illiterate, touchable or Untouchable, Brahman or tribesman. The faith thus shown by the educated in the common sense of the common man was amply rewarded in the last elections: it is still the educated who rule India. They feel that if the white settler in Africa would show similar courage he might reap a similar reward.

Indians take exactly the same view where their own Indian immigrants in Africa are concerned. India gives them no support in any demand they may make for privileges. Once they emigrate they are expected to become good citizens of the country of their adoption and to ask for no more, though no less, than other citizens of those countries. India will indeed, as in South Africa, support them against discrimination directed against them simply because they are Indian. But India favours the common roll for all citizens, not the separate electorate by which Indians as well as Europeans are at present over-represented in East Africa. Indeed, the unfortunate Indian in Africa gets nearly as many lectures from Indian editors for failing to identify himself with the Africans as does the white; nobody asks himself whether this failure may not mean that the process of identification presents real difficulties. Indians do not even stop to ask whether, perhaps, their civilisation is not greater than that of the Matabele—that is simply not relevant.

If Europe in Africa is sometimes judged harshly in India it is because it is judged by precisely those standards of European Liberalism which India has learnt to admire. Nobody cares about what France has done to develop Morocco; what they want to know is whether French conduct in Morocco conforms to the rule of *Liberté, Egalité, Fraternité*. Nobody cares about the economic advantages of Central African Federation; it is attacked because it goes against the will of the African majority. But the origin of all offence is, of course, apartheid—for in apartheid Indians see, raised into a system, that belief in the superiority of the white race which to them is so utterly unacceptable.

Ibañez Disappoints Chile

FROM A CORRESPONDENT

CHILE'S constitution, presidential in form, is modelled on that of the United States, but rests on a system of proportional representation of incredible fairness and complication—which produces more splinters than even France can boast. The election of General Carlos Ibañez del Campo as president a year ago was primarily due to disillusion with the traditional parties and to the reputation as a strong man he had gained during his previous term of office, which ended in 1931. Those of his supporters who expected miracles—and many did—will necessarily have been disappointed by his year of office.

The first, and radical, difficulty of the Chilean economy is that some 70 per cent by value of its exports are composed of copper and nitrates. As the producer of 12-13 per cent of the world's copper, Chile has on several occasions recently tried to sustain a weakening market by withholding supplies or by threatening to sell them behind the iron curtain. By refusing, from early in 1953 until last month, to reduce its selling price below 35½ cents per pound in spite of the fall in the world price, Chile assumed the position of the marginal supplier; the world only bought from Chile when others had sold out, or if buyers could afford to mix high-priced copper with lower. In the event Chile sold at 35½ cents about 105,000 tons out of a 1953 production of some 225,000 tons; this meant both a reduction in total foreign exchange receipts, and the embarrassment of holding 120,000 tons in stock. In sum, Chile under Ibañez has made the same desperate effort as other Latin American countries to hold the exceptionally favourable terms of trade of early 1951, while little enough has been done to lessen the dependence of both fiscal and foreign exchange budgets on receipts from copper sales.

Chronic Inflation

But if the reliance of Chile on copper and nitrate exports is a trick of fate and of geography, the same cannot be said of the chronic inflation which is General Ibañez's second problem. Inflation has been endemic in Chile ever since the War of the Pacific in 1870. By 1890 the Chilean peso had lost half its 1870 value; by 1910 it was worth half as much as in 1890, by 1930 only a quarter as much. Since then, progress has been more rapid; official cost of living figures (March, 1928 = 100) reached just over 300 by 1942, 600 by 1947 and 1,200 by 1951. In May, 1952, the index was 1,602; a year later it was 1,767; by August, 1953, it had reached 2,084.

This fever might have been justified if it had helped to cure the patient of some ill, or had proved a vehicle of inspiration. But in the last decade the national income figures show no significant degree of redistribution between different groups of earners, nor has the growth of the economy been impressive. On the contrary, figures from the UN Economic Commission for Latin America show Chile as having, for that continent, a relatively low figure of investment—13 per cent of the gross product, by comparison with Brazil's 20 per cent and Mexico's 16½ per cent. Real income per head in Chile has remained about the same since 1945, while that of other countries with a far higher rate of population increase has shown a sub-

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stantial increase. Chile thus risks being caught up by neighbouring countries that had been far behind it. Nor is this all. Agriculture in particular has decayed, and a report by experts of the FAO and the International Bank emphasises that until inflation is halted it will be of little use to put into execution their detailed recommendations; the effect of these would be to improve rural living standards and to revive the production of foodstuffs which Chile now has to import. Until last July the government, by providing preferential rates of exchange to keep essential goods cheap, succeeded only in stimulating the consumption of imported goods while inhibiting their production at home.

The pathology of inflation in Chile has embraced all the classic causes at one time or another; but by now it is much more a political than an economic problem. Those whose wages there is talk of freezing can always show that the cost of living has gone up. When attempts have been made in the past to limit credit, not only have the banks failed to co-operate, but commerce and industry have protested loudly. Twice, in 1945 and again in 1950, coalitions have not been compact enough to get away with anti-inflationary measures.

A Leaf from Peron's Book

On taking office at the end of 1952, General Ibañez spoke much of the "chaos" in which Chile found itself; but in spite of the "extraordinary powers" he secured, little was done until recently. The economic plan announced last July brought about some necessary adjustments in the exchange rate, and abolished preferential rates, while at the same time a wage increase was awarded to lower-paid workers to compensate for dearer imports.

The government has also taken what seems to be a leaf out of the Argentine book by intensifying psychological warfare against inflation through a tighter control of prices and the institution of new "economic offences." Such action is admittedly legitimate when the main impulse towards inflation is psychological rather than economic; it may have some justification at the present time, when world prices are falling. On the other hand, the terminology of the new crimes is somewhat reminiscent of Peronismo, and so were many of the references to inflation in General Ibañez's speech marking the anniversary of his accession. He spoke, for example, of an "exaggerated upward tendency of prices stimulated by certain unnameable interests which live by inflation" and of conspiracy by "factors extraneous to the Plan." Coming after an enumeration of achievement which consisted almost entirely in the creating of new state agencies, such a tirade might be mere rhetoric. But the president, repeating his earlier complaint that he is a "prisoner of the laws," seemed to hint that he would have done plenty had he been allowed to. Finally, he referred to the "proliferation" of parties, and called for "a new political discipline" to arrest it.

For several decades Chile has been one of the two most genuinely democratic nations in Latin America. But some months ago a Senator pointed out that inflation could make an end of Chilean democracy. The electorate had voted for General Ibañez because they were disillusioned with the old parties, grouped round the Radicals, who had governed Chile for so long. If the General, with all the special powers granted to him, fails to put things right, then a political vacuum may be left which others may try to fill.

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THE BUSINESS WORLD

Aden and Abadan

"THE British team," records the latest issue of the *Little Aden Mercury*, "needs considerably faster and younger players to meet the Somalis on anything like an even footing." They had, indeed, been soundly trounced by six goals to two. The same issue of this lively camp newspaper reports, with dramatic photographs, one of the big "lifts" that are almost a daily occurrence—a 32-ton section being delicately centred to complete an oil distillation tower 136 feet high and weighing 145 tons, under the expert care of "Sundown" Gilpin and Babe Carter, whose nationality calls for no guesswork. The open-air cinemas provide English, Italian and Arabic films; a tombola is advertised in the Levantine employees' recreation hall, softball under floodlights at 7.15 p.m., and swimming, safely protected from the sharks, after the ten-hour working day.

This may sound remote from oil. It is, in fact, an inseparable part of the construction of a refinery in what, only thirteen months ago, was a desert stretching down from protecting rock pinnacles to the beach. The job is multi-national. American and British contractors are working jointly on the construction of the refinery, with a British team building the harbour. The British labour force is nearly 1,400; over 800 Levantines and nearly as many Italians; over 500 Somalis and nearly 500 Indians; there are 270 Americans who give the impression of having built oil refineries all their lives, and a hundred or more Dutch specialists on dredging and pile driving. To these 4,500 men, with their multiplicity of crafts, must be added 9,500 Aden nationals, most of them recruited from distant settlements in the Protectorate with nothing but their health and their hands.

Provision for such a mixed, artificial community which by the end of this year will be dispersed, leaving a mere 250 British and 1,500 Arabs and Indians to

work the refinery, is bound to be expensive. Of the total cost of £45 million to which the Anglo-Iranian Oil Company is committed in this venture, perhaps a quarter will have nothing directly to do with oil—housing, contributions to public roads, services of all kinds including a splendid hospital, and the wholesale moving and rebuilding of an Arab village are some of these extras. The company is building not only a refinery, but also a township. The argument for doing so is clear; comfortable beds and air-conditioning, good food for all races and colours, first-class medical attention, and opportunities to play hard as well as work hard—all these are the calculated price of getting the refinery "on stream" by the due date of December 1st. It will not be the contractors' fault if they fail to collect their bonuses for getting the job finished earlier.

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The timetable for the development of the Aden project is of much interest. By 1950, Anglo-Iranian had decided that a big new refinery should be set down somewhere between Suez and India. In March, 1951, the Persian Government took into its own hands all responsibility for oil operations in Persia and by October of that year all the British staff had left Persia. At almost the same moment, reconnaissance parties were visiting Aden, and they chose a site at Little Aden, on the west side of the bay opposite Aden itself. Further surveys followed, and later in 1952 an agreement was concluded between the company and the Aden Government. Eventually, on November 1, 1952, the enormous work of construction began.

It is tempting, on the evidence of this timetable, to regard Aden as being part of the company's reply to the loss of Abadan. But it is indeed a partial and a limited

reply. Abadan had increased its production, until it was closed down, to nearly 32 million tons a year; Aden will handle 5 million tons. Nor will it turn out highly specialised products. "Elementary" is hardly the right word to apply to any oil refinery, but Aden is simpler than most. There are American refineries that leave no more than 20 per cent. of a barrel of crude in the form of fuel oil. Aden is being designed with its two distillation units to convert 60 per cent. of its 5 million ton throughput of crude into 3 million tons of marine bunker oils, the principal market for which lies on the doorstep across the bay. Gasoline, kerosine and diesel oil will be produced for the Red Sea and Indian Ocean markets. One of the remarkable features of Abadan, when it was in full operation, was that any surpluses of fuel oil from the refinery process could be "re-cycled"—that is to say, pumped back into the crude oil wells, and when the demand for the lighter products was pressing, this practice involved no waste and no marketing problems. But at Aden crude from Kuwait will have to be shipped, and processed in a refinery designed primarily to produce the fuel oil that Abadan provided in such abundance.

This is not to say that Aden is uneconomic. At present the oil berths at Aden are in part provisioned from the Kent Refinery at the Isle of Grain; tankers pick up crude oil from Kuwait, carry it to Kent, and fill up for a large part of their return journey with fuel oil for Aden. Such a return trade can hardly have formed a permanent element in the original calculations for the Kent Refinery, and this unexpected market has no doubt been welcome. But with Aden in production by the end of this year, and Abadan perhaps in partial working order by that time too, the possibility of temporary embarrassment in fuel oil supplies at that time is evident.

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But this is an embarrassment that must fall more heavily on the Persians than on anyone else. If in future the demand for oil throughout the world is going to increase by about 5 per cent each year, instead of the 10 per cent bonanzas that were recorded in the immediate postwar years, the accommodation of considerable supplies from Persia, though easily possible in the longer run, may not be so simple on the shorter run. World oil production is already in a posture of controlled surplus, in the sense that it could pour out another 75 million tons a year from its existing capacity, without any contribution from Persia. Persia's neighbours across the Gulf have been counting on the continued expansion of demand to take up the phenomenal increases in output and capacity which made the loss of Persian oil such a comparatively light burden in the European and Eastern markets. It is not to be expected of Kuwait, Saudi Arabia and Iraq—or of the companies that operate in those countries—that they will be prepared to make major sacrifices or inhibit their future

growth for the sake of restoring Persian output on a full scale.

In recent discussion about the resumption of Persian oil production, the greatest emphasis has been put on the problems of marketing. They may, indeed, be awkward for a time—for the European refineries now exporting fuel oil to unexpectedly distant markets, and for the major groups (always under suspicion in the Department of Justice) who attempt the complicated co-operative operation of syphoning Persian oil once more into the markets of the Eastern hemisphere. Their task may not be made any easier by the need for the Persian Government to be able to show quick and rewarding results once production is resumed. But the inescapable fact is that no large markets exist for all the oil that Persia may again produce which remain uninfluenced by what the major companies may do or have reason for complaint at the way the companies have served them since 1951. Thirty million tons of oil is an ocean that would swamp the world; if Persia is to work towards that output it will take years, not months, before markets are ready for it.

There has, however, been much less emphasis on the conditions that must be secured before oil begins to flow through Abadan. If it is assumed that the National Iranian Oil Company remains the "owner" of the Anglo-Iranian company's assets in Persia—in other words, if an explicit understanding about compensation can be reached, for the first time since expropriation three years ago—it will be necessary to furnish a large number of foreign technicians to operate the industry. Such a group could easily encounter political trouble in getting production under way at the controlled speed that orderly marketing conditions outside Persia would require. A lot of money will have to be found—conceivably as much as the Aden refinery is likely to cost—to restore the Persian installations. Such a group would have to be guaranteed virtual extra-territorial independence, and would have to be assured that they could exercise power without threat of local political interference. And since, in crude shorthand, the world has shown that it can get along without Persian oil at a pinch, and the resumption of shipments must imply co-operation among companies that have established bulk outlets, it must be part of the bargain that the Persian oil industry must be operated by the highest technical and commercial skill—and this can only be found outside Persia itself.

These will not be easy conditions to accept or defend in Persia. But the building of the Aden refinery must rub home in the Persian mind the lesson that the oil industry itself learned at a much earlier time. Oil is an international commodity, influenced in various parts of the world by the policies of the major groups, but controlled by none. If any source of supply is cut off, others are almost instantly ready to fill the gap. Abadan has lost what Aden will gain in economic advancement. It will be a permanent loss if the lessons of the last three years are not properly learned.

The Bank and Commodities

IT is just over seven years since the first international commodity market in Britain was freed from its wartime shackles. Rubber was chosen in November, 1946, for the first attempt to reconcile the freedom of commodity operations with the requirements of sterling exchange control. It was an experiment devoid of serious risk, for rubber is almost wholly a sterling area product and the restoration of freedom in dealing involved little chance of dollar losses. Even when rubber bought by merchants in London involved payment in dollars, it could be assumed that at an earlier stage dollars had been offered against sterling in order to secure the commodity. The broad outline of the exchange control arrangements for dealing with rubber has been followed in the subsequent schemes (all told they now number ten) which were evolved as, one after another, the commodity markets regained their freedom; but a firm background of experience and waning faith in high places in the efficacy of controls have allowed greater risks to be successfully taken.

There are three main features in all these commodity schemes: First they are exclusive. The privileges accrue only to firms which can show a continuing interest in the import or marketing of the commodity concerned. It was probably inevitable that the facilities should have been granted only to firms which are subject to the discipline of a recognised trade association and the Bank of England has left the market authorities in no doubt of its dislike of all monopolies save its own. Still the exclusive nature of the schemes calls for vigilance. Secondly, the granting of the necessary financial authorisations is delegated by the Bank of England to the authorised banks. The ultimate control of the Bank of England is exercised only *post facto* on the basis of monthly returns made by the participants of each scheme. Thirdly, there remains a relic from the high summer of market controls. Monthly returns of the open position have to be made to the Bank of England and the Bank can call for remedial action if unwarrantable speculation exists.

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Although the main outline of the schemes remains unchanged, the detailed provisions have had to be adjusted to each commodity. With rubber it was possible to allow participants in the scheme to buy and sell where they wished, irrespective of the currency of settlement and to hold stocks in any part of the world. The normal exchange control regulations had to be obeyed in that sales to residents outside the sterling area, though made without formality, had to be settled in sterling from a non-resident account appropriate to the country of the buyer or in the currency of the buyer's own country. But participants are free to deal

and to clinch offers to buy and sell without each transaction having to run the gauntlet of exchange control.

Tin is also essentially a sterling commodity and the risk of dollar losses was small. That risk increased appreciably when lead and copper were freed, but it was deliberately accepted on the ground that any possible loss would be more than compensated by the merchandising profits earned in London. The effect of freedom of commodity arbitrage on the general structure of metal prices was also expected to be favourable. The metal market like rubber has been given the right to buy and sell in any currency area; it can procure the imports required for British domestic consumption and also supplies intended for resale to third parties.

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Important divergences in the actual operation of the commodity schemes began to appear as commodities with more substantial element of dollar cost were freed. In these later schemes it was generally considered necessary to set limits to the scope for free arbitrage—in other words, to set limits to the potential convertibility of the sterling involved in such dealings. In the coffee market, which was reopened for third party transactions in July, 1947, and in cocoa, to which freedom was restored in January, 1951, there is limited freedom for arbitrage dealing. The general arrangement is that purchases can be made for consumption in the sterling area in the cheapest available markets, but for resale outside the sterling area the rule is "dollar for dollar." This general rule is, however, subject to some administrative relaxation and for some time past participants have been allowed to pay dollars for these commodities, not only when they are consumed in the sterling area, but also when they are resold to members of the European Payments Union. This is one of the few relics of the short-lived general authorisation for commodity arbitrage between the dollar and the EPU areas sanctioned in August, 1952. These two commodities have been kept on the free arbitrage list between the two areas partly because the net cost of dollars is small but also because the re-exports to EPU countries bring in a certain amount of gold and also help to discharge the United Kingdom's debt to EPU. The situation may have to be reconsidered if and when the United Kingdom gets into overall credit with EPU and when the net dollar cost of such arbitrage would be balanced by unrequited export reflected in the accumulation of a credit balance with EPU.

Still less freedom to convert sterling is allowed for sugar and for grains. A market for raw sugar was reopened in November, 1952, but freedom to buy in any part of the world is confined to that small part of British refiners' requirements which is re-exported in

the refined form. If such sugar has to be paid for in US dollars or by a sterling credit to an American account, it can only be sold outside the sterling area against payment in US dollars or in sterling from an American account. The dollar element in sugar is so prominent that free arbitrage in London would tempt faithless holders of sterling to make switch transactions in Cuban or other dollar sugar. Government trading still caters for the whole of the imported sugar used by the British refiners in their home trade, amounting to at least three-quarters of their total consumption of imported sugar. This is partly due to the high dollar content of imported sugar, but partly also to the fact that the free market mechanics of fulfilling the guaranteed market for Empire sugar have still to be worked out.

The most important step in the freeing of commodity markets was taken last June when freedom was restored to dealings in grain—an importance due not only to the large trade involved but to the predominance of the dollar countries as suppliers. In grain also participants are free to buy in any part of the world, irrespective of the currency in which payment has to be made, provided that the grain is destined for consumption in the sterling area. If dollar grain is sold to a buyer in the sterling area other than the United Kingdom, evidence must be obtained that the transaction has been approved by the local exchange control authorities. If dollar grain is resold outside the sterling area, payment must be made in United States or Canadian dollars, or in sterling from an American or Canadian account. The restoration of freedom of dealing in grain, therefore, provides an interesting exception to the normally accepted design for convertibility, namely, that it is a privilege to be offered first to non-resident sterling. In this context sterling owned by residents can be used to buy dollar grain without restriction, while sterling owned by non-residents does not share the privilege.

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The exchange arrangements made for the reopening of terminal markets are also fairly simple. Here, too, it has been necessary to restrict convertibility. The normal procedure is for operations on the terminal markets in wool, wheat and later cotton, to be settled not by taking or making delivery of the forward purchases or sales, but by paying differences between the prices at which the operations are arranged and those ruling on the settlement date. Provision has been made under exchange control that all such differences can be met in the currency of the operator. If, for example, a United States firm deals in the terminal market for wool and a difference is due to it, that difference will be paid in dollars or by crediting an American account. If, however, the non-resident dealer takes delivery whether of wool or wheat, or later, of cotton, he will be able to re-export only subject to the usual restrictions on export licensing and on payments. In particular

it is stipulated that any such commodity which may have cost dollars can only be re-exported against the receipt of dollars or American account sterling. The Bank of England has nevertheless been most considerate at an administrative level, more so than the central banks of some other countries.

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It is generally agreed that the freeing of the commodity markets and the attendant "bending" of the exchange control mechanism to that development has been a great success. Acts of commodity shunting with loss of dollars have certainly occurred, more often in the period when sterling was under pressure than now. But the markets have brought back to London a considerable volume of entrepôt trade with its accompanying profits and ancillary activities. They have brought down the level of sterling commodity prices and removed the handicap of relatively high raw material prices from which British industry was previously suffering. The marrying of exchange control to the free commodity markets has provided a good example of evolutionary adjustment so characteristic of British administration. The fears of heavy dollar losses that prevailed when commodities with a considerable dollar element, such as lead and copper, were freed, have proved utterly groundless. To the astonishment of some faint hearts, foreigners appear to regard sterling as a good currency to trade in and to hold; there has been no flight through sterling into dollar commodities.

Most of the commodity schemes have so far not been tested in the atmosphere of a real dollar famine. The postwar markets for rubber and tin have certainly lived through most anxious periods for the sterling economy, but rubber and tin are sterling commodities. Recently, greater risks have been taken with commodities like grain with a high dollar element, but during a period when sterling has been a hardening currency. It is only right to remember that the cleverly devised combination of free markets and exchange control has not been fully tested in the atmosphere of trade recession or of a weakening sterling exchange.

Outlook for Exports

The quarterly reports issued by The Economist Intelligence Unit may or may not confirm your hunch about sales prospects abroad. But these reports are the result of careful analysis of sound opinion and reliable information on matters of concern to those doing business with other countries. Also they are concise and up to date, and each one contains a statistical summary and charts to show business conditions and trends at a glance.

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Business Notes

Few Headlines from Sydney

THE flow of news from the Sydney conference of Commonwealth Finance Ministers has so far provided a rather disjointed—and, at times, seemingly, a garbled—story of its proceedings. And, even after the issue there on Wednesday night of the first official communique, the account is still somewhat blurred. But it is evident that the talks have traversed the ground mapped out beforehand—some of it was indicated in these columns a fortnight ago—and that there has been some frank speaking along the route. That is as it should be, since the main purpose of this gathering was to compare the several points of view of the members of the sterling family and to preserve a common approach to basic objectives rather than to reach clear-cut decisions.

It has now been reaffirmed that the best approach to the ultimate goal of lasting stability for the sterling area's balance of payments is by way of well-conceived development of Commonwealth resources. The need to press this effort forward was evidently underlined by the estimates put before the conference of the trend of sterling area trade, which showed that, while the system's imports are rising significantly after their constriction during the emergency of 1951-52, its exports are tending to decline. According to the cabled reports, in the twelve months to mid-1954 the total imports of the sterling area from the rest of the world are likely to cost £160 million more than in 1952-53, while total exports may yield £30 million less, with the result that the surplus realised in 1952-53 is likely to be approximately halved. This rising trend of imports, which is apparently expected to become more marked in the current half year, seems to have been partly attributed to re-stocking; but it would be unwise to treat it as an ephemeral trend. The greater, therefore, is the need to stimulate exports; and particular emphasis seems to have been put upon the desirability of increasing them to the non-dollar, non-sterling countries—among which the Western European countries and Japan are especially important.

seas members seemed to have built up. These members certainly protested at the austerity of the conditions upon which the Treasury has tried to insist before conceding access to the market; and it is evident that, in face of these arguments, Britain's representatives have given some ground. It is not clear, however, how large a concession has been made; it is probably less than the overseas commentators at present suppose. Mr Butler is reported to have promised at the conference that there would be easier access to the London market than in the past; but the nature of this easing, if disclosed, has not been explained in the cabled reports. It seems probable that Britain still adheres as firmly as before to the fundamental condition that British capital cannot be spared (and perhaps diverted from home investment) unless its employment in the overseas Commonwealth genuinely promises a strengthening of the balance of payments of the whole group. But, while insisting on this basic condition, Britain may have agreed to some modification of the way in which it is applied to particular loan requests—recognising the difficulty of the Dominions, and notably of Australia, of relating their borrowings to specific projects. Light on this and other points, however, must wait upon the text of the final communique, from the conference which is expected this weekend.

Meanwhile, on one vital matter the reporting has been quite clear. The conference, donning rather rose-hued spectacles, has noted "signs that world trade and payments are moving towards a new postwar equilibrium, and that the difficulties of achieving convertibility and freedom of trade from import restrictions are being reduced to proportions that the sterling area may be able to handle with a high prospect of success." But, after this burst of high confidence, it wisely and bluntly emphasises that there can be "no thought" of fixing any date for full convertibility until the attitude of the United States has been clarified.

Exports Mark Time

THE provisional trade returns for December confirm what had been all too apparent before—that the value of Britain's exports in 1953 would be no larger than in 1952. In dismal fact the total was precisely the same, at £2,582 million f.o.b., and would have fallen short of the 1952 figure but for a saving spurt in the last quarter. Export prices fell by about four per cent last year, so the volume of exports was that much larger than in 1952—a crumb of comfort from what should have been a year of advance in the export trade, but was actually a year of marking time. The provisional value of exports in December was £224.6 million f.o.b. This was well below the abnormally high figure of

Easier Access to London?

THIS survey of the prospective balance of payments seems to have furnished the prelude—certainly a logical one—to the problem of development, which plainly bulked very large in the discussions. Mr Butler's several enthusiastic statements made *en route* for Sydney seemed, as reported, to have been increasingly calculated to make overseas members of the family suppose that the gates of the London capital market were to be thrown wide for them. The actual talks in Sydney, it is to be hoped, have since dispelled the more extravagant hopes that some over-

£239.9 million in November, which also had 25 working days; but allowing for the extended Christmas holidays this year, December's exports were creditable. On a working day basis, total exports including re-exports averaged just over £9.2 million, compared with nearly £10 million in November and a third quarter average of £8.5 million. The decline compared with November also reflects a fall of £1.9 million in re-exports to £7 million in December; for the whole of 1953 re-exports were £105 million, or £39 million less than in 1952.

The decline in exports to North America continued in December, when they fell to £22.7 million from £25.1 million in the previous month; a recovery of £1.1 million to £12.4 million in shipments to the United States was more than offset by a sharp fall of £3.4 million to £10.4 million in shipments to Canada, which may have been

UNITED KINGDOM TRADE

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Excess of imports over total exports
£ million				
1952	3,479	2,582	144	753
1953*	3,347	2,582	105	660
Change	-132	...	-39	-93
Monthly averages or calendar month				
1952	289.9	215.2	12.0	62.8
1953*	278.9	215.2	8.7	55.0
1953 1st qtr.	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* "	276.8	230.6	8.4	37.7

* Provisional.

due to the freezing of the St. Lawrence river. The average for the fourth quarter, at £24.9 million, was just £1.8 million less than the third quarter average, but £4.6 million below the record average of the second quarter. For the year 1953, however, exports to North America were £39.9 million, or 14 per cent, higher than the total of £275.7 million in 1952. Shipments to Canada rose by no less than 21 per cent to £156.8 million, and shipments to the United States rose by nine per cent to £158.8 million.

Imports in December, at £281.5 million c.i.f., were £9 million higher than in November, bringing the monthly average for the fourth quarter to £276.8 million. This was just £2 million above the third quarter average but two per cent below that for the first half of the year. Total imports in 1953 were £3,347 million c.i.f., which was £132 million, or four per cent, less than in 1952. But the volume was roughly 10 per cent higher, thanks to the steep fall in import prices. The net result of these changes in Britain's trade was a fall of £93 million in the gross visible deficit to £660 million in 1953. In the second half of the year the deficit declined to £277 million from £383 million in the first half.

No Yardstick for Steel

INVESTORS who approach the Lancashire Steel share offer with open minds must almost inevitably decide that the 4,500,000 £1 5½ per cent redeemable cumulative preference

shares offered at 21s. are an attractive investment worth a small premium. Redeemable from 1973 onwards at 22s., they are covered (including the redemption premium) over 2½ times by tangible assets of nearly £13 million. The dividend is covered 4½ times even on the reduced profit estimated for the year ending next October. At 21s. the shares offer a yield of over £5 9s. 6d. per cent. It is almost equally sure that investors who consider the 4,500,000 £1 Ordinary shares offered with the forecast of an 8 per cent dividend will decide that they are a shade too dear at 22s., and that there is a fair chance of picking some up at a small discount after dealings have begun. That is not the view of the highly skilled advisers on the issue. But Lancashire Steel at 22s. yield just over 7½ per cent. United Steel at 9d. discount yield nearly 7½ per cent and look cheaper. Only if that discount should narrow before the lists close would the conclusion be falsified.

That reveals the kind of weakness under which Iron and Steel Holding and Realisation Agency must labour until more steel shares are in public hands. At present no yardstick, except United Steel, exists by which the right price can be gauged. The business of Lancashire Steel is not wholly comparable with that of United Steel. Lancashire Steel is a partly integrated business with a dominant position in the manufacture of certain end products, particularly wire and wire nails. When another £6 million has been invested in the steel-making end of the business it will be largely self-contained, with a capacity of about half a million tons a year. United Steel, on the other hand, probably still stands below its right price because the "stags" are still selling.

Comparative failure on the equity side of the issue may therefore be inevitable. The failure can only be comparative, for the issue is already on paper fully subscribed. By the same device as was used with United Steel the underwriters have flanked their underwriting with firm applications for the same amount of stock, and those applications rank *pari passu* with the public applications. But if there is not a large public response there will not be cheap shares on offer when dealings start. The underwriters will not be reckless sellers. Former shareholders of the company and small investors are to be favoured. To help the "stag," whose help will certainly be needed, the period over which the money may be paid up is long.

Since the agency is reselling at a profit of more than £1 million above the nationalisation price, and since it is proposed that the company shall divide its profits more liberally in future, it should, in fairness, also be added that the profit estimate allows for a sharp fall in earnings. The annual average gross profit for the past 6½ years was £2,090,770, the estimate for 1954 is only £1,600,000. Out of the reduced profits the proposed dividends allow almost 45 per cent of net earnings to be retained in the business.

Bank Dividends Round-up

THE two remaining dividend decisions from the big banks were announced at the end of last week. The Midland Bank, as expected, is keeping the Westminster Bank company by holding its payment at the long customary rate, whilst Lloyds has followed the pattern set by the

National Provincial and Barclays by raising its dividend by 2 per cent. The third of the three northern banks, Williams Deacon's, has followed the others (Martins and the District) in paying more, and so has Glyn, Mills and Co., its sister bank in the group headed by the Royal Bank of Scotland—which, like the Commercial Bank of Scotland, itself announced a 1 per cent increase a few weeks ago. The Clydesdale and North of Scotland Bank, the only one of the Scottish banks that makes up its accounts on December 31, has, however, kept to its customary rate; it is controlled by the Midland Bank. The urge to raise bank dividends has now spread also to Ireland—the Provincial Bank and the Hibernian Bank are both paying more.

Bank shareholders who have been accustomed to assume that there is unlikely to be much variation in the broad trading experience of the big clearing banks will naturally focus now upon these differences in dividend policy and in published profits. As the accompanying table shows, aggregate profits of the Big Five have risen by 6.6 per cent, or by slightly less than they rose in 1952; but the range of movement has been greater this year than last—from the 2 per cent increase shown by the Westminster to the 15.8 per cent of the National Provincial. The true current earnings experience of all the big banks has certainly been perceptibly better than in 1952, but the improvement is probably more reliably indicated by the average change in the published figures than by the movements shown at the extremes of the ranges, and it also seems likely to have been a smaller one than the banks enjoyed in 1952. Last year was the first in which the average level of loans and advances outstanding through the period felt the impact of the new monetary policy; this average fell sharply, for the first time since the war. Also on the average, however, the banks were employing a higher level of deposits, so that the fall in advances was more than offset by increases in money market assets and in investments; and, despite the autumn reduction in Bank rate, the average rates earned on these assets were slightly higher. Against these gains, and some other more modest ones, there has to be set a substantial increase in the interest cost of deposit accounts and some further rise in staff costs. The net gain is unlikely to have been large.

Reasons for Disparities

IT should be noted, too, that since the banks show their dividends net, a substantial part of the increase shown in published profits is attributable merely to last April's reduction in income tax, so that published profits this year have borne a smaller charge for tax deducted from dividends at the 1952 rate. The profit increase shown by the Midland Bank is, indeed, almost exactly accounted for by this technical adjustment, whilst the increase in the net cost of the Westminster's unchanged dividend actually exceeds its increase in disclosed profit. It seems highly improbable that these two banks did not, in fact, enjoy some increase in true trading profits during the year; the explanation appears to be that both their profit announcements and their decision to leave dividends unchanged were strongly influenced by the desire to fortify inner reserves.

One consideration may have been that, until the recent

increases in distributions by the other banks, the dividend rates of these two banks were the highest among the Big Five (and the Westminster's 18 per cent still is the highest). But it may be significant that, of the four banks that changed their basis of investment valuation during the gilt-edged slump of mid-1952, the Midland and Westminster's showed the largest depreciation—in proportion both to their total portfolios and to their published reserves. On

BANK PROFITS, 1951-53*

	1951	1952	1953	Change in 1953
Barclays	1,908,437 14	2,137,722 14	2,300,150 16	+ 7.6
Lloyds	1,815,858 12	1,964,665 12	2,083,781 14	+ 6.1
Midland	1,925,316 16	2,074,887 16	2,127,202 16	+ 2.5
Nat. Provincial..	1,469,765 16	1,525,013 16	1,765,768 17	+15.8
Westminster	1,405,453 18	1,446,546 18	1,474,736 18	+ 2.0
"Big Five" Total	8,524,829	9,148,833	9,761,637	+ 6.6
Martins	725,107 16	746,309 16	819,921 17½	+ 9.9
District	508,217 18½	515,672 18½	559,744 20	+ 8.6
"Big Seven" Total	9,758,153	10,410,814	11,131,302	+ 6.9

* Figures in italics are percentage rates of dividend.

this evidence, it seems permissible to guess that they now regard a strengthening of the inner position as of higher priority than any increase in dividends. The Midland Bank has, indeed, this year also ploughed back into inner reserves almost the whole of its undistributed (published) profits. Most of the other banks, however, have concentrated upon raising the published reserves, though Lloyds divides its allocations between the two.

The Steel Industry and Schumania

FORMAL response to M. Monnet's invitation to Britain to enter into closer association with the European Coal and Steel Community is a matter for the Foreign Office, which will presumably seek such advice as it requires from the British steel industry through the new Iron and Steel Board.

The industry, which has supplied certain of the British observers at Luxemburg and has been studying the operations of the community closely ever since the pool came into being, has itself perhaps somewhat mixed views. It combines a feeling that M. Monnet's invitation to discussion cannot be declined with some scepticism about the extent to which the Plan is working effectively for steel, even in the countries that have become full members of the community; it argues that once negotiation has been agreed

upon it will be up to M. Monnet to say what he suggests for the immediate future, while suspecting that what he will be satisfied with now will not be all that he would eventually hope to secure from Britain; and it is prepared for some alignment of commercial practice, well short of what the full members of the community have promised, while questioning whether those promises will ever, fully, be honoured.

Among observers in the British steel industry, therefore, the disposition is to study not only the immediate concessions that might be required by (and from) Schumania as the prerequisite of closer association, but to consider all the aspects of British practice on which the community might eventually be concerned to express an opinion or suggest a change. The High Authority on occasion has argued that the British steel industry gets its coal too cheaply—though arguing in other quarters at the same time that the export price of British coal should be brought down to that same “too cheap” internal level. It has also looked askance at the cheap price that the British industry pays for scrap, while attempting to set up a similar central buying agency that would enable it to obtain an equally advantageous position in bargaining over scrap prices. These are immediate points of detail; in the background and the future loom the larger questions of sharing control of investment plans, and perhaps of co-ordinating prices—which might, eventually, raise the question of production quotas.

IMF and Convertibility

THE International Monetary Fund is giving persistent and significant attention to furbishing its weapons for the great convertibility battle. The latest sign of preparation is a statement last week-end by the executive board which extends the technique of “standby” credits inaugurated in October 1952. It has for some time past been assumed that it is through these “standby” credits that the IMF will one day provide a cushion of international reserves on which the shock of convertibility might spend itself without causing undue disturbance to the countries concerned and without calling forth excessive defensive measures in the form of import restrictions. When the new facilities were devised it was suggested that the standby arrangements or confirmed credits could not be made for more than six months at a time, though subject to subsequent renewals with the approval of the executive board. In last week-end's statement the board points out that “if a member believes that the payments problems it anticipates (for example in connection with positive programmes for achieving and maintaining convertibility) can be adequately provided for only by a standby arrangement of more than six months, the fund will give sympathetic consideration to a request for a longer standby arrangement in the light of the problems facing the member and the measures being taken to deal with them.” There have been suggestions from Washington that this might mean an extension of the length of standby credits to a period as long as two years and that in the specific context of sterling convertibility such facilities might be made available to the tune of \$2,000 million.

In the Washington discussion such big figures may indeed have been mentioned but it would be unwise to regard them as more than illustrative suggestions. Ideas on this issue have not crystallised. All the indications are that in judging applications for standby credits the International Monetary Fund will be unwilling to apply any rigid criteria. The initiative taken from Washington should be viewed against the background of the general conclusions of the Commonwealth Conference of Finance Ministers, summed up in Sydney at midweek. This brings into prominence the fact that “sterling reserves must be substantially increased before they can withstand any real drain or before convertibility can be considered.”

It is not only the International Monetary Fund that is preparing for the plans that will ultimately lead to convertibility. The other Bretton Woods institution, the International Bank for Reconstruction and Development, is also strengthening its resources. It has this week made an issue in the New York market of \$100 million 15-year 3½ per cent dollar bonds. This offer is the fourth and the largest public issue of World Bank bonds to be made in the United States.

Riddle of the Comet

THE chain of events that led the British Overseas Airways Comet to crash into the sea last Sunday with the loss of all on board may never be known with certainty unless some of the sunken wreckage can be examined; if not, it may only be possible to narrow down the list of possible causes. The record of air transport shows many inexplicable disappearances of airliners on routine and apparently uneventful flights; only a few weeks ago the report on the disappearance of a York aircraft in the North Atlantic uncovered no cause for the tragedy. But when the aircraft involved is the Comet, an airliner involving wholly new methods of propulsion and about which there has been much controversy, any uncertainty of this kind imposes an intolerable burden of suspense both for the airlines flying the machine and for the manufacturer that designed it.

This is the second case of sudden failure in a Comet during flight. The crash near Calcutta early last year could only be explained by the court of enquiry by an exceptionally savage storm into which the aircraft flew, but this week's accident must have raised doubts about this explanation that will not be allayed until the detailed examination of the wreckage from the Indian crash is completed at the Royal Aircraft Establishment at Farnborough. This is going on side by side with destruction tests on the first prototype Comet. The work should bring to light any basic weakness in the design, if such weakness exists, but it will not be completed before the middle of the year.

Whatever the investigators discover, Sunday's disaster raises another, broader question that concerns all air passengers and not only those who have been prepared to give pioneering support to jet flying. Under the Warsaw convention, to which most nations subscribe, the airlines' liability towards the dependents of passengers killed in



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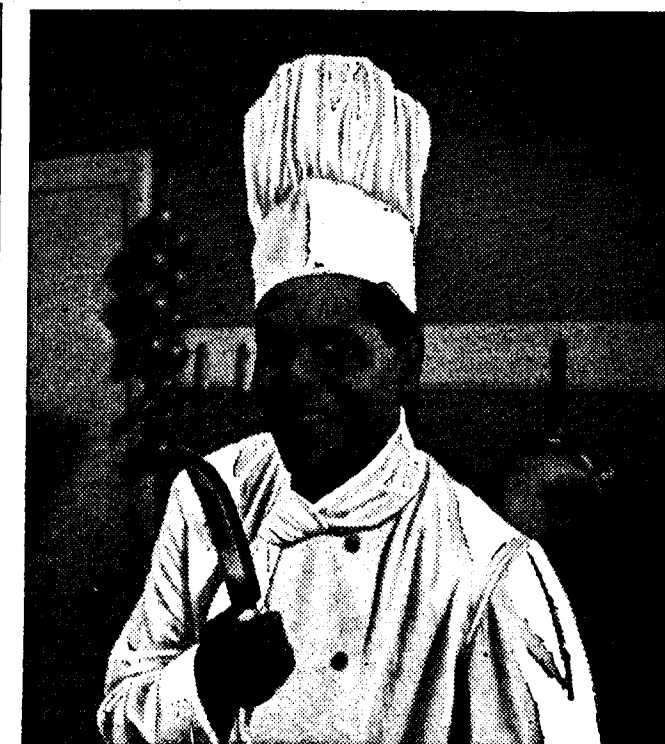
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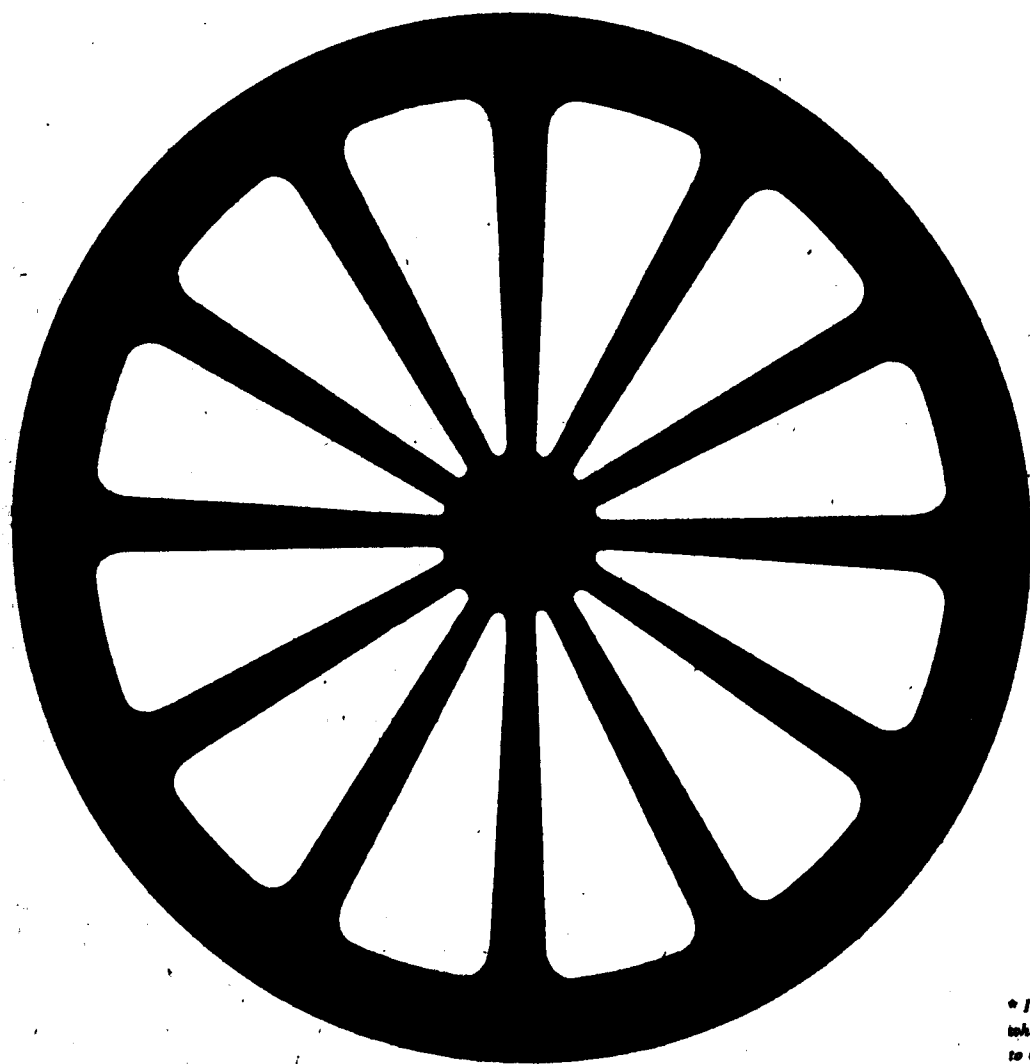
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flight is limited to a lump sum of just under £3,000. A draft protocol designed to raise this by 60 per cent to nearly £5,000 has been circulated to the signatories, but no action is expected before next March. Many passengers no doubt take the wise precaution of insuring themselves before a flight, but air transport is now a firmly established industry. How long can it expect to limit its liability towards those who entrust themselves to its care to such a low figure?

Steel Capacity and Demand

DURING the last quarter of 1953 Britain was producing steel at the rate of about 18½ million ingot tons a year, and output this year might well reach 18½ million tons—if there is a demand for it. For the first time since the war steel output in 1954 will be governed by the volume of demand—and by the pattern of demand for different steel products. The industry, certainly, has a comfortable margin of imports. It brought in the equivalent of more than a million ingot tons of steel last year to supplement its own production of some 17.6 million tons in delivering much more steel to home consumers than they had ever had before during peace, and in slightly increasing its

IRON AND STEEL: OUTPUT AND DELIVERIES, 1951-53
(Thousand tons)

	1951	1952*	1953†
Pig iron:—			
Production	7,301	8,261	8,795
Imports	287	689	620
Stocks, increase (—) or decrease (+)	+206	—299	—75
Consumption	7,794	8,651	9,340
Scrap:—			
Industry supplies	4,384	4,422	4,710
Home bought	3,857	4,154	4,410
Imports	560	695	795
Stocks, increase (—) or decrease (+)	+323	—202	—210
Consumption	9,124	9,069	9,705
Steel production	15,640	16,420	17,610
Imports	560	1,820	1,100
Secondhand and re-usable. Producers' stocks, increase (—) or decrease (+)	+680	—170	—200
Total supply	17,420	18,510	18,910
Exports	2,670	2,610	2,750
Home deliveries	14,750	15,900	16,160

* 53-week year. † Partly estimated. Source: British Iron and Steel Federation.

exports. Should demand at home and abroad slacken, these imports, which are mainly semi-finished steel, could be reduced considerably before British output need be slowed down.

Some margin of imports is essential, in order to keep a balance between crude steel-making capacity, finishing capacity, and the pattern of consumers' demand for particular finished steel products. In Britain, for example, though the home output of steel plate is now 67 per cent

higher than before the war, and rose by 10 per cent during last year, demand has increased even more. The steel industry is convinced that a large part of this increase in demand is a temporary "hump," arising from the catching-up of arrears in building railway wagons and from a level of postwar shipbuilding that is unlikely to last. It is therefore still resisting pressure to instal an extra plate mill—which would in any case take another two years—and holds that the current shortage should be covered by imports.

This view is reasonable, in that trade between steel-producing countries offers an opportunity of pooling spare capacity. It would certainly be very costly for any country to attempt to match its capacity exactly with its pattern of home demand there at any one time, particularly a time of "hump demand." But the argument should not be pushed too far: though the balance between steel demand and capacity will differ in different countries, it would be expecting too much that other producers will always be able and anxious to export just the products of which Britain is temporarily short. The decision whether to produce or import must be based on estimates of costs and future demand; so far the consumers who complain that the British steel industry is planning too conservatively in steel plate have not produced any evidence on these crucial points.

War at the Pump

MOTORISTS who have followed the progress of the oil companies' sales campaign for premium petrols during the past year must have derived considerable amusement this week from the spectacle of three of the major distributing companies busily gilding their premium lilies. The new campaign is concerned with the chemical "additives" that are introduced in minute quantities into petrol to improve its performance. Not all companies back the same mighty atoms. Shell premium petrol now incorporates tri-cresyl-phosphate, which combines with the lead compounds deposited in the cylinder head by the tetra-ethyl lead in the petrol. These new lead-phosphate compounds have a much higher ignition temperature than the ordinary lead deposits which—according to the company—have a tendency to become red hot and ignite the petrol mixture in the cylinder head before the cylinder has had time to reach the top of its stroke, and also to short-circuit sparking plugs. This sloppy timing has caused some trouble in highly-tuned aero-engines using high-octane petrol, and the additive was developed specifically to counteract it. But the same formula seems to have effects in car engines using petrol of much lower octane rating, especially engines designed for high compression ratios, and has proved popular with motorists in the United States.

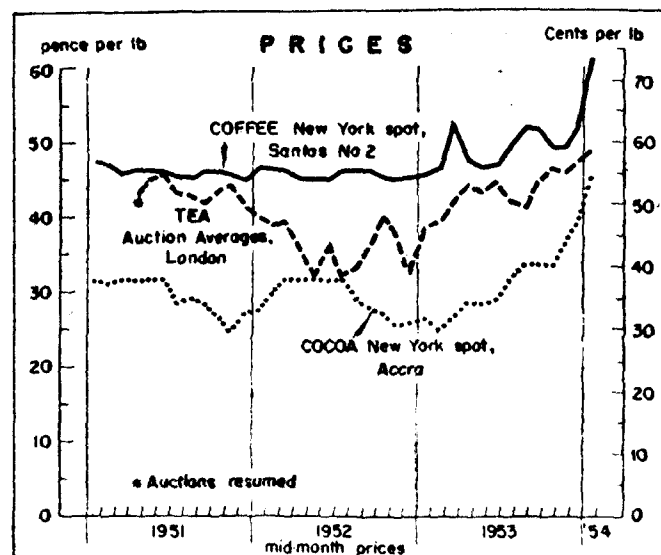
The Esso company has added a different chemical to its Esso Extra. This is a naphthalene solvent oil designed to remove the gummy substances that the petrol deposits on valves and piston rings, and it can be described, very roughly, as an engine cleaner. The Regent Oil Company has not yet issued a detailed description of the additive that provides "voltane control" for its new TT petrol, but it appears designed to give a more rapid spread of flame inside the cylinder head. The price of the new blends

remains unchanged at 4s. 6½d. for Esso Extra and 4s. 5½d. for Shell and Regent premium blends. Users of those companies' cheaper petrols have to get along as best they can with gummy engines, glowing lead deposits and slower flames in the cylinder.

A change in formula such as the introduction of chemicals to clean or protect certain parts of the engine, seems a comparatively minor justification for the kind of sales campaign that the three companies launched last week-end. But it seems that Shell's outstanding success with its new additive in the United States has provoked another phase of intense competition throughout the European markets in turn. Whether all motorists are sufficiently engine-minded to appreciate the subtle improvements that an additive brings remains to be seen; but it is worth remembering that this degree of "quality competition" in the market for premium petrols has emerged in less than a year of free choice.

Three Strong Drinks

THE dramatic boom in the cocoa, coffee and tea markets has now carried prices to record heights. In all three commodities production has either fallen short of the previous year's crop or has failed to keep pace with the growth of demand. The drop of 23 million lb to 476 million in the output of tea in North India, the world's largest producing area, has been more than offset by a rise of 31 million lb in Ceylon and South India, but this has not been sufficient to meet the increased demand, particularly from Britain and the United States. In consequence the price of common teas in London has jumped by 11d. in the last three months to 4s. 3½d. a lb. Cocoa prices have climbed



steadily this season on reports of smaller crops, and have soared since the revised estimate of the main crop in the Gold Coast was published on December 21st. This crop, which normally accounts for one-third of the world's supply, was estimated to be 31,000 tons below the original forecast, and nearly 40,000 tons below last year's crop of 244,000 tons. Accra cocoa is now 105s. higher at about 450s. a cwt, c.i.f. The shortage of supplies has been

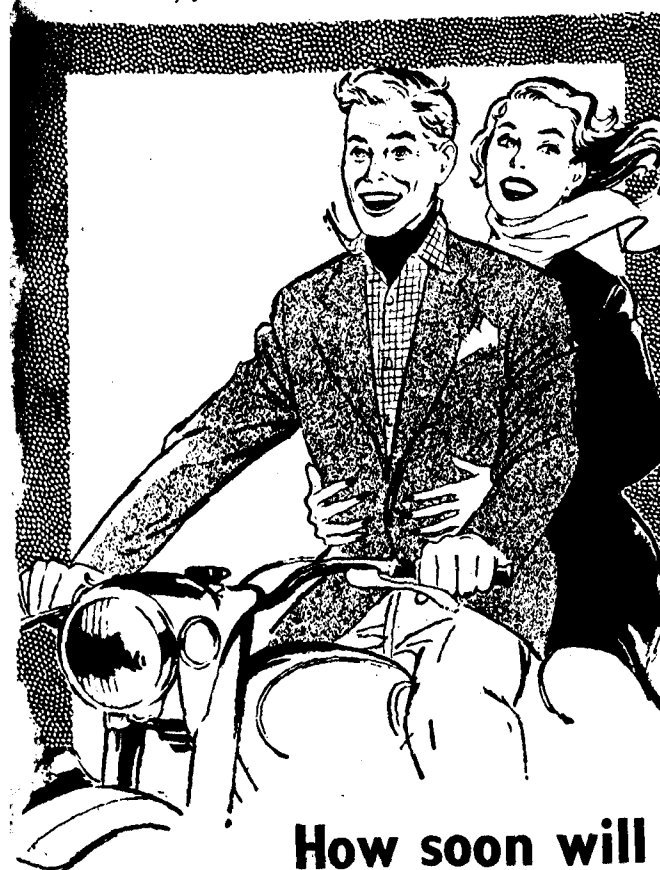
intensified by the sharp rise in consumption of cocoa products in Britain since sweet rationing ended last February: imports of cocoa beans into this country in 1953 were 20,000 tons larger than in 1952.

Prices of coffee have been extremely high since frost damaged the 1954/55 crop in Brazil, which produces half the world's supply. They have recently bounded upwards as buyers have reluctantly come to accept the last official forecast that the 1953/54 exportable surplus in Brazil will be about 13.2 million bags (of 60 kilos each), some two million bags below expectations; "superior" grade coffee has risen by nearly 50 per cent in the last six weeks to 686s. a cwt, f.o.b. Santos. There is little prospect of any improvement in supplies of all three commodities before the summer, and stocks in most consuming countries are low. The recent increase of 4d. a lb in retail prices of tea in Britain has already been swallowed up, and it is an open question whether blenders can hold their present prices until North India tea begins to arrive in quantity in September. Prices of cocoa products in several Continental countries have already been raised, and British manufacturers may follow suit. There is less of a squeeze in coffee in this country; stocks are reasonably ample and the trade is still able to draw upon supplies of cheaper East African coffee from the Ministry of Food. In the United States, which drinks two-thirds of the world's supply, the retail price has risen to \$1 a lb, and this may eventually check consumption. The headlong advance in all three markets may prove to have been overdone, but even allowing for some consumer resistance, no radical weakness in prices seems likely for some time.

Commodity Shunting Again

LESS is heard of "commodity shunting" now that sterling is a stronger currency. But the old problem has cropped up again in the Lebanon and the Treasury has had to step in. Beirut is the natural port for a large part of the middle eastern trade. From there goods are forwarded to other destinations. But Syria is not a sterling country, nor is Palestine, nor Egypt. On the other hand, Jordan, Iraq and the rich sheikdoms of the Persian gulf are sterling area countries. A market in non-transferable sterling has grown up round a rate of about \$2.64-2.69 to the £ compared with the official rate of about \$2.81. Naturally importers in the Lebanon have been serving their own market and the markets of the other non-sterling middle eastern countries with British textiles, sugar and other goods bought with the cheaper type of sterling. The goods have been consigned to sterling area destinations "via Beirut" and the destinations altered or the goods retained in Syria after landing. Thus exchange has been lost to the country without the knowledge of the British exporter, who believed the destination to be genuine.

Now the Treasury has used its mailed fist covered in a velvet glove. As from February 1st all exporters consigning goods through the Lebanon to sterling area destinations will have to supply an extra copy of the shipping documents of specification marked "for exchange control purposes only. Often that is all that will happen, for there is no wish to hamper legitimate trade, but if the Treasury entertains sus-



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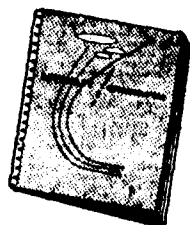
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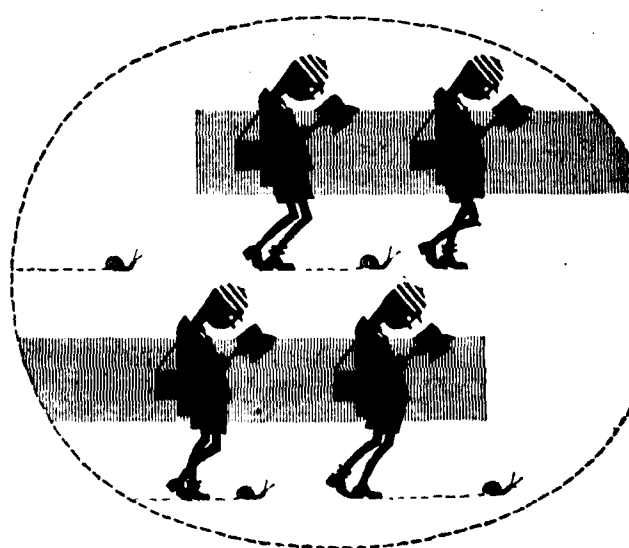
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"CREEP" IS NOT A WORD normally associated with jet propulsion. Yet metallic creep—the slow stretching of a metal under stress at high temperature—is a major problem in jet engine design, and it enters increasingly into many branches of engineering. Creep can increase the diameter of hot steam pipes under the constant pressure from inside. The fast-spinning rotor of an electricity generator may, if it becomes hot enough, distort under the creep caused by centrifugal force. Unless this has been taken into account in designing the generator, its rotor may ultimately foul the generator's shell. Even at ordinary temperatures, lead creeps at quite low stresses and unless appropriate steps are taken, lead sheeting can flow slowly down a roof.

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pictions, it may go much further: it may call on exporters to produce evidence that the declared destination was the true one. It may also require exporters to pre-enter goods with the customs in advance of shipment and to make much more comprehensive declarations about the transaction. This new regulation has clearly not blocked all the possibilities of sterling leakage in the Middle East. But Beirut is the natural sea terminus of the trade. Shipment by way of Damascus or Alexandria would be possible but might eat into the profit of the astute trader too deeply to make evasion worthwhile. And the Treasury will be watching eagerly for any sudden jump in shipments to those ports.

New Life Assurance Business in 1953

NEW records in the volume of life assurance business in this country were again achieved last year. Sums assured in 1953 by British offices at home and overseas and by the Commonwealth offices operating in the United Kingdom will comfortably exceed the 1952 record of nearly £800 million. The 58 offices whose results are available—they account for fully 90 per cent of ordinary life business—wrote, as is shown in the accompanying table, £775

ORDINARY LIFE ASSURANCE
Net new sums assured by 58 offices (a)
(£ million)

Office	1952	1953	Office	1952	1953
Alliance	7.9	8.4*	Mid. Employers' ..	1.2	1.3
Atlas	6.3	5.0	Nat. & Colonial ..	1.2	1.4
Beacon	3.9	5.3*	Nat. Farmers	5.0	5.4
Britannic	8.2	7.0	Nat. Mutual	1.8	1.9
Caledonian	3.0	3.0*	Nat. Provident ..	5.0	4.8*
Clerical, Med. & General	6.6	7.2*	N. Brit. & Mercantile	13.7	10.3*
Colonial Mutual (UK only) ..	8.6	9.7*	Northern	13.0	16.0
Commercial Union ..	17.3	17.4	Norwich Union ..	47.4	52.0*
Confederation (UK only) ..	3.8	3.5	Pearl	19.8	20.4
Co-operative	16.6	21.7	Phoenix	6.5	6.7
Crusader	2.0	2.6	Prov. Assoc. of London	9.2	8.9
Eagle Star	54.3	56.0*	Prov. Mutual	5.3	5.4*
Equitable	4.6	4.1*	Prudential	101.1b	110.0b
Equity & Law	6.7	8.4	Refuge	13.6	12.6
Friends' Prov. & Century	14.8	17.3	Royal	12.0	13.6*
General Life	4.0	4.5	Royal Exchange ..	6.1	7.4
Gresham Life	10.0	11.0*	Royal London	7.2	6.9
Guardian	9.0	8.7	Scot. Amicable ..	9.9	9.1
Law Union & Rock ..	4.7	5.4	Scot. Equitable ..	4.0	4.5*
Legal & General	72.3	81.0	Scot. Life	4.4	5.1*
Life Asso. of Scotland ..	2.0	2.2	Scot. Mutual	2.5	3.1
Liverpool & Lond. & Globe	7.4	8.2*	Scot. Provident ..	7.7	8.6
Liverpool Victoria ..	7.1	5.5	Scot. Union & National	5.1	5.4*
Lond. Assurance	6.0	5.6	Scot. Widows' ..	15.5	15.0*
London Life	2.8	3.5	Standard	34.0	35.6
Manufacturers (UK only) ..	6.4	9.2	Sun Life	43.0	39.1
Marine & General	2.1	2.4	UK Provident	7.3	7.5
Mercantile & Gen.	10.4	12.0*	University Life ..	1.0	1.0
			Wesleyan & Gen. ..	3.5	3.9
			Yorkshire	16.4	16.3*
			TOTAL	732.1	775.0

* Approximation. (a) Including overseas business. (b) Excluding group life and pension business. Total new business was: 1951, £107.6 million; 1952, £112.0 million; 1953, not yet available.

million last year compared with £732 million in 1952 and £706 million in 1951. The rate of expansion in 1953 was thus about 6 per cent. For all offices the expansion in 1952 was about the same; the increase in 1951 was as much as 17 per cent. These figures exclude for most offices the important staff scheme pension business that is written by deferred annuities. They are not necessarily comparable between the different offices.

Overseas new life business (including that in the Republic of Ireland) is transacted by only a handful of British offices. It has been accounting in recent years for an increasing proportion of the total. In 1952 new sums assured overseas were £107½ million according to the statistics recently published by the life offices associations; this was about 13½ per cent of the year's total new ordinary life business. From the scanty information that is at present available about the 1953 overseas new business, it would seem likely that last year's proportion will have been rather bigger. New life assurance and pension business under staff schemes continued to increase last year; the incomplete figures so far published suggest that the rate of expansion in these "scheme" contracts was considerably greater than in "individual" policies. Industrial (now labelled home service) life assurance new sums assured in 1952 by the 14 companies and 115 friendly societies transacting this business were £267.6 million. The Industrial Life Offices Association has recently announced that 11 offices (including some, but not all, of the giants of the movement) in 1953 assured in new industrial business about £222 million, compared with £217 million in 1952.

The prospects for the life offices' new ordinary life and annuity business nowadays depend largely on the buoyancy of business profits. Last year's figures might therefore well be surpassed in 1954. When the intervening change in the price level is taken into account, life assurance new business in this country shows little if any increase on that written in 1938: there ought, therefore, to be some scope for further expansion.

Good Year in Lombard Street

GOOD margins on Treasury bills, a firm to rising bond market, and the turn secured on bills held at the moment of September's reduction in Bank rate made 1953 a profitable year in Lombard Street. The three largest discount houses—which also happen to be the three with end-year balance-sheet dates—have all passed on something of their increased profit to their shareholders. Only one house has indeed made a straight increase in its distribution; Alexanders has raised its final dividend by 2½ per cent to 12½ per cent and has added a cash bonus of 5 per cent, bringing the total distribution for 1953 up to 25 per cent—compared with the 17½ per cent paid in every year since the beginning of the war. The disclosed profits of this house increased by nearly 60 per cent, from £176,550 in 1952 to £281,600 in 1953—the best since 1946.

The Union and the National both maintained their dividends at 10 per cent for 1953, but the former paid it on an increased capital and the latter supplemented it by a bonus issue that seems likely to raise the effective distribution in future. The Union Discount—the largest of the discount houses—had already last September made a two-for-twenty-five bonus issue to ordinary shareholders that capitalised £410,667 from the share premium account and reserve; although its dividend has been maintained at 10 per cent since the war, the Union raised its effective distribution even more substantially two years ago as a result of the one-for-three share bonus issue of July, 1951. Net profits increased by £45,000 in 1953 over the previous year, to reach the record level of £367,000. The profits of

the National Discount increased by considerably more than this—from £297,132 to £369,648—but comparisons between companies are particularly odious in this sphere, where published profits are notoriously subject to the vagaries of reserve policy and the differing incidence of taxation. The bonus issue takes the form of a capitalisation of £758,885 from the share premium account, to be distributed to "B" stockholders in the proportion of one-to-three. These shares will not, of course, rank for the final dividend for 1953.

SHORTER NOTES

A Canadian court this week decided to put British Controlled Oilfields, which owns half the equity of Trinidad Petroleum Development, into compulsory liquidation. The two petitions for liquidation were dealt with together, and

though the liquidator appointed is the nominee of the first petitioner, Henry Ansbacher and Company the second petitioner was allowed his costs. It is still the desire of Henry Ansbacher's group that the proposed reconstruction of the BCO capital should precede liquidation. This would give the equity holders 10 per cent of the assets although their capital is wholly lost and the second petitioner regards the plan as undesirable and inequitable.

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In the article "Diesel Engines for the Motorist?" in the issue of January 9th, the diesel version of the Fordson tractor was incorrectly described as being 25 per cent more expensive than the petrol or vaporising oil versions. The actual prices for the tractor are: diesel without ancillary equipment, £496 5s.; petrol or vaporising oil versions, £441 15s.

Company Notes

LOBITOS OILFIELDS. Stock markets are probably right in thinking a bird in the hand worth two in the bush. They acted on that assumption when Lobitos Oilfields, in place of the usually terse interim dividend statement, announced its intention of doubling the ordinary dividend and making bonus issues of equity shares and debentures. Surprise and delight were reflected in the marking up of the company's £1 ordinary stock units by 13s. 9d. to 52s. 6d. The "bird in the hand" was certainly plump. In 1953 the group's profits before tax were of the order of £1 million and unless any "unforeseen circumstances" occur the directors intend to make a full year's equity distribution of 23 per cent, compared with 11½ per cent in 1952. In addition the holders of the company's £2 million ordinary stock units are to receive—if the Treasury agrees—a £1 million bonus issue of equity stock (which at the end of the operation will all be quoted in 5s. units) and a £1 million bonus issue of a 5½ per cent first mortgage debenture stock.

Yet a glance should be spared for the "birds in the bush." For one thing, this announcement implies a very sharp reversal in the company's policy. Earlier it had concentrated upon the reinforcement of its liquid balances in order to meet the increased demand for working capital, the cost of "major refinery replacements," and the building of new tankers so that "its fleet would consist of an adequate number of efficient modern vessels." The directors now believe that "demands for additional working capital have temporarily declined, and they have decided that it would be wise to delay the expenditure of the reserves on the objects for which they were created, as they are satisfied that for sound technical reasons it would not be appropriate or necessary at the present time to undertake major refinery replacements, and that on account of the present high cost of shipbuilding they would not at present be justified in acquiring new

tankers." Accordingly the immediate need to reinforce liquid balances, which total about £1,700,000, has diminished, "although eventual capital expenditure will require funds in excess of this figure." The wording of the whole of this announcement suggests that only temporarily has the company's policy been put into reverse. But what would happen to the 23 per cent dividend if at any time the company decided to go ahead with development and expansion? It seems a questionable policy to issue a first charge debenture as a bonus. Certainly it is a true bonus for the debentures will be saleable in the market and their existence may not much reduce the market value of the equity. But is it wise for a company with the volatile earnings of an oil producer to raise debentures unless necessity drives? The company, if eventually it decides to go ahead with its deferred capital programme, may have to knock on the door of the new issue market. The proposals therefore seem to take an unhappy form; but their object is clear. Lobitos can hardly be classed among the "take-over" shares (though the rumours have gone around—and have been denied) but the directors appear to be doing their best to ensure that it will not become one.

RADIO RENTALS. The low yield on Radio Rentals's 5s. ordinary shares—it is only 4.6 per cent at the current price of 43s. 9d.—can be justified on two counts. First, the group's net profits will immediately benefit from the demise of EPL: in the year to August 31st EPL took £104,144 out of a total tax bill of £403,421. Secondly, the latest set of the group's full accounts makes encouraging reading. Following a marked increase in the number of the group's subscribers (renting radio and, more particularly in the Coronation year, television sets) the group's trading profits have risen from £1,000,459 to £1,357,365. In turn, its net

profits have risen from £99,893 to £125,362 and the ordinary dividend has been raised from 35 to 40 per cent.

The chairman, Mr H. F. Hunt, assures shareholders that while the renting of television sets was stimulated by the Coronation the demand for sets since has been "very steadily sustained." Another reason for the increase in profits is that the number of subscribers in many regional areas has grown large enough to make the renting of television sets profit-

	Years to Aug. 31,	
	1952	1953
<i>Consolidated earnings:—</i>		
Trading profit.....	1,000,459	1,357,365
Depreciation.....	581,697	725,426
Taxation.....	256,656	403,421
Net profit.....	99,893	125,362
Ord. dividends.....	37,833	49,875
Ord. dividends (per cent).....	35	40
Retained by subsidiaries.....	16,196	3,466
General reserve.....	25,000	100,000
Added to carry forward.....	16,533	26,060
<i>Cons. balance sheet:—</i>		
Fixed assets, less depreciation.....	1,830,308	2,593,125
Debtors.....	269,406	362,167
Cash.....	181,469	113,037
Reserves.....	609,359	766,580
Ordinary capital.....	205,893	226,705
5s. ordinary share at 43s. 9d. yields 4.62s. per cent.		
* Including "radio and television sets and accessories on, or for, rental" at cost £5,027,438 (against £3,756,430) and after depreciation £2,212,648 (against £1,536,707).		

able—a typical example of large scale economies. Mr Hunt adds that "trading in the current financial year to date shows a reasonable improvement" on the latest financial year's results. The rate of expansion last year is indicated by the increase in the group's investment (at cost) in radio and television sets and accessories from £3,756,430 to £5,027,438.

Yet, these figures in themselves carry a warning. They should warn shareholders that the group has to lock most of its money away in equipment, on which the depreciation charges are high; the group's rate of depreciation on television sets is still "a little higher" than the rate allowed by the Inland Revenue for taxation purposes. In a slump a hire purchase company finds its trade falling and its bad debts piling up. A renting company in similar circumstances finds its rents falling and returned equipment piling up in its showrooms.

CHARTERHOUSE INVESTMENT TRUST. Last year the investment trust movement could have had few worries. Equity prices in the stock market were rising and equity dividends had finally broken away from the moorings of voluntary dividend restraint. It is not therefore surprising that the directors of the Charterhouse Investment Trust have reported that the market value of the trust's quoted and unquoted securities on the date of the last balance sheet, November 11th, was 27 per cent higher than their book value of £943,597, compared with the comparable figure of 15 per cent in 1952. Nor is it surprising that the chairman, Mr H. N. Hume, describes the revenue of the trust as "buoyant." Following the increase in the investment income of the trust (from

	Years to Nov. 11,	
	1952	1953
<i>Charterhouse Investment Trust</i>		
Total income.....	143,154	170,823
Taxation.....	52,442	57,518
Net profit.....	33,690	73,577
Ord. dividends.....	31,500	37,125
Ord. dividends (per cent).....	8	9
Retained profits.....	4,471	18,214
Quoted securities.....	996,900	889,736
Unquoted securities.....	44,435	53,861
Investments in subsidiaries.....	1,720,751	1,745,569
Cash.....	32,354	112,641
£1 ordinary stock at 27s. 6d. yields 16.13s. per cent.		

£140,946 to £169,015) the directors have decided to raise the ordinary dividend from the 8 per cent payment made in the last seven years to 9 per cent. The rise in stock exchange prices has enabled the Charterhouse trust to liquidate some of its holdings and to build up quite substantial cash balances in preparation for a fresh bout of re-investment in the next few months. This must presumably have reduced current income since the end of the financial year. Charterhouse has not made any decision yet whether to take

advantage of the lifting of the ban on investment trust issues in order to enlarge the trust.

The Charterhouse group is something more, however, than an investment trust. It is an issuing house and it has considerable investments, through the Charterhouse Industrial Development Corporation, in the unquoted securities of private companies. Referring to the new issue business of Charterhouse Finance Corporation, Mr Hume admits that the prospects do not appear too bright. The fall in raw material prices and the easing of the burden of stocks has obviously enabled British industry to build up its cash balances—and therefore it has much less need to go to the market for money. Mr Hume adds that the introduction on the Stock Exchange of the shares of private companies, threatened by the death duty axe, is usually handled by stock-brokers without the assistance of issuing houses. He is less explicit about the activities of the Charterhouse Industrial Development Corporation, but he admits that the type of investment which this subsidiary holds is slow to yield a tangible return and that though the true worth of the Corporation's holdings of unquoted securities as a whole exceeds their book value of £2,271,696 there are some holdings which "may ultimately prove to be overvalued."

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CAPITAL ISSUES IN 1953. In the table entitled "Capital Issues in 1953" which appeared on page 124 of last week's issue, the debenture total for companies for 1953 (new basis) was shown as £85.8 million instead of £61.6 million. The total of which this item forms a part should therefore have been £182.5 million instead of £206.7 million.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Dec. 30, 1952	Sept. 29, 1953	Oct. 27, 1953	Nov. 24, 1953	Dec. 29, 1953	Dec. 30, 1952	Sept. 29, 1953	Oct. 27, 1953	Nov. 24, 1953	Dec. 29, 1953
	1952	1953	1953	1953	1953	1952	1953	1953	1953	1953
21% Consols.....	82.4	90.1	90.0	91.2	90.1	4.29	3.92	3.93	3.88	3.93
Debtenture stocks:										
Industrial.....	81.1	86.7	87.2	87.3	87.6	5.08	4.75	4.72	4.71	4.70
Investment trust.....	81.8	87.5	88.1	88.8	89.6	5.05	4.72	4.68	4.65	4.61
Preference stocks:										
Industrial.....	85.6	91.0	91.5	91.6	91.7	5.30	4.98	4.96	4.95	4.94
Investment trust.....	84.0	87.1	87.6	87.7	88.4	5.25	5.06	5.03	5.03	4.99
Ordinary stocks:										
Banks.....	81.2	92.2	97.3	98.4	99.3	4.98	4.44	4.26	4.27	4.23
Industrial insurance.....	97.8	113.3	114.3	116.6	114.4	5.80	5.09	5.04	4.94	5.04
Investment trust.....	110.5	127.0	129.9	134.2	135.0	5.69	5.43	5.44	5.26	5.24
Electrical engineering.....	93.7	99.8	103.9	105.5	102.9	5.91	5.91	5.42	5.59	5.78
Engineering.....	105.1	111.5	113.5	115.9	114.4	5.34	5.30	5.20	5.07	5.26
Motors and aircraft.....	105.1	116.7	117.3	115.0	118.1	6.36	5.82	5.86	6.11	6.11
Breweries.....	98.2	98.2	96.2	103.2	99.8	6.50	6.61	6.75	6.32	6.65
Chain stores.....	108.2	145.9	148.5	152.2	167.0	4.58	4.32	4.25	4.33	3.95
Cotton textiles.....	85.9	101.6	104.8	106.9	110.7	7.74	6.26	6.09	5.98	6.05
Household goods.....	90.3	103.7	104.9	109.8	112.0	6.62	5.20	5.22	5.05	4.98
Rayon.....	70.9	77.2	79.8	79.8	79.5	7.52	4.52	4.30	4.27	4.41
Tobacco.....	84.9	84.8	87.5	90.5	88.8	6.83	6.95	6.73	6.52	6.65
Wool textiles.....	79.4	98.6	100.9	102.2	102.6	6.48	5.82	5.64	5.47	5.64
Chemicals.....	114.0	123.1	126.5	127.3	128.9	5.51	5.09	4.94	5.03	4.96
Oil.....	104.7	125.7	118.0	122.3	125.5	7.14	6.71	6.60	6.52	6.42
Shipping.....	101.9	114.5	118.2	116.7	114.3	7.05	6.66	6.46	6.53	6.67
Total (capital goods).....	102.9	109.6	112.0	113.2	112.5	5.87	5.82	5.67	5.70	5.83
Total (consumption goods).....	91.7	103.6	106.0	109.7	110.8	6.48	5.93	5.83	5.68	5.70
Total industrial (all classes).....	97.5	107.2	109.8	112.4	113.1	6.29	5.92	5.78	5.72	5.76

LONDON STOCK EXCHANGE

Next Account begins: January 27th.
Next Contango Day: January 27th.
Next Settlement Day: January 19th.

THE stock market was unsettled after the weekend by the opening of the "guerilla" strikes in the electrical industry. Most of the selling orders, however, had been absorbed by the close on Monday and the market brightened up again on the last day of the old account. This generally firm tone was carried over into the new account. Gilt-edged stocks lost about ¼ of a point on Monday but these losses were more than regained in the following two days. The rise in gilt edged and industrials gathered momentum on Thursday. On Wednesday, the 4½ per cent Electricity stock rose ¼ to 104½. The most active market was in German issues. These stocks were bought at the end of the old account in advance of the formal debt settlement offer and were then marked up again on the first day of the new account following the higher prices established overnight on Wall Street for the dollar bonds. The Young loan, which was quoted at 102½ when the market opened on Monday, had risen to 109½ (after touching 111) by the close on Wednesday; in the same period the Dawes loan rose from 73½ to 78. The Potash bonds and the City loans made similar strong advances.

Industrial equities generally followed the lead set in the gilt-edged market. Prices of the "blue-chips" moved irregularly at first (although engineering and electrical equipment shares held firm). Then prices rallied on the last day of the old account. This rally broadened out into a more general advance on the first day of the new account, with stores and textiles shares in the van. Tobacco shares (which had been rather dull on Monday) and radio and television shares also made a good showing. The general air of buoyancy helped to keep oil shares firm but it did not lead to any marked increase in business. Tea shares were again very active and strong in response to the fresh rise in the price of the commodity. The Kaffir market was hesitant at the end of the old account and the rally on the first day of the new account soon died away.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	21% Cons.	Ord.
Jan. 6....	131.9	111.96	3.89	5.49
" 7....	131.8	111.99	3.89	5.49
" 8....	131.9	111.97	3.89	5.49
" 11....	131.6	111.92	3.89	5.50
" 12....	131.8	111.96	3.89	5.49
" 13....	132.3	111.96	3.89	5.47
1954, High.	132.3	111.99	1954	
" Low.	(Jan. 13)	(Jan. 7)	Jan. 6	10,809
	131.1	111.78	" 7	10,568
	(Jan. 1)	(Jan. 5)	" 8	9,759
1953, High.	131.5	112.55	" 11	12,268
" Low.	(Nov. 4)	(Nov. 27)	" 12	10,461
	113.9	105.68	" 13	11,249
	(May 20)	(Jan. 5)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Jan. 6, 1954	Price, Jan. 13, 1954	Net Yield, Jan. 13, 1954 %	Gross Yield, Jan. 13, 1954 %	Prices, 1953		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 6, 1954	Price, Jan. 13, 1954	Yield, Jan. 13, 1954 %
High	Low					£ s. d.	£ s. d.	High	Low							
100 1/4	99 1/4	War Bonds 2 1/2% '52-54	100 1/4	100 1/4	100 1/4	1 5 2	2 0 5	47 6	32 3	12 1/2	15 c	STEEL & ENGINEERING	42 6	42 6	7 1 2	
100 1/4	98 1/4	Eschequer 2 1/2% 1955	99 1/4	100 1/4	100 1/4	1 5 2	2 3 10	15 1 1/2	10 10 1/2	15 c	5 a	B.S.A. £1	14 1 1/2	13 9	6 15 3 1/2	
102 1/2	99 1/4	Eschequer 3% 1960	102 1/2	102 1/2	102 1/2	1 6 7	2 15 0	55 4 1/2	45 3	10 b	5 a	Cammell Laird 5/-	52 -	52 -	5 15 5	
100 1/4	99 1/4	Eschequer 3% '62-63	99 1/4	99 1/4	99 1/4	1 13 8	3 1 0 1/2	25 4 1/2	23 10 1/2	12 1/2	5 a	Guest Keen N'old £1	24 4 1/2	24 4 1/2	6 5 4	
99 1/4	98 1/4	Serial Funding 1 1/2% 1954	99 1/4	99 1/4	99 1/4	1 4 4	2 3 4	52 -	44 6	12 1/2	21 a	United Steel £1	47 10 1/2	47 10 1/2	6 5 4	
99 1/4	99 1/4	Serial Funding 2 1/2% 1957	99 1/4	99 1/4	99 1/4	1 6 8	2 7 11					Vickers £1				
101 1/4	100 1/4	Serial Funding 3% 1955	101 1/4	101 1/4	101 1/4	0 17 5	2 6 9	34 -	21 4 1/2	7 b	4 a	Bradford Dycers £1	33 -	34 6	6 7 6	
100 1/4	98 1/4	War Bonds 2 1/2% '54-56	100 1/4	100 1/4	100 1/4	1 6 7	2 8 4 1/2	28 9	21 4 1/2	12	6 a	Brit. Celanese 10/-	25 9	25 6	6 5 6 1/2	
101 1/4	99 1/4	Funding 2 1/2% '52-57	100 1/4	100 1/4	100 1/4	1 5 1	2 10 5 1/2	50 3	41 4 1/2	7 1/2	5 a	Coats (J. & P.) £1	50 -	50 -	5 0 0	
101 1/4	99 1/4	Nat. Def. 3% '54-58	101 1/4	101 1/4	101 1/4	1 8 0	2 14 10 1/2	51 4 1/2	37 3	6 1/2	6 1/2	Courtaulds £1	51 -	50 10 1/2	5 10 0 1/2	
102 1/2	99 1/4	War Loan 3% '55-59	102 1/2	102 1/2	102 1/2	1 6 2	2 14 1 1/2	53 9	38 6	5 a	10 b	Lanes. Cotton £1	50 -	50 -	6 0 0 1/2	
97 1/4	96 1/4	Savings Bonds 3% '55-65	97 1/4	96 1/4	96 1/4	2 0 3	3 7 8 1/2	69 6	49 -	20 c	5 a	Patons & Baldwins £1	68 -	68 6	5 16 9	
98 1/4	95 1/4	Funding 2 1/2% '56-61	97 1/4	97 1/4	97 1/4	1 14 9	2 18 6 1/2	44 6	36 6	7 1/2	12 1/2	Assoc. Elect. £1	42 6	42 6	4 14 1 1/2	
92 1/4	86 1/4	Funding 3% '59-69	93	93 1/4	93 1/4	2 3 7	3 12 4 1/2	40 10 1/2	33 3	10 c	21 a	Brit. Insulated £1	38 3	38 3	5 4 7	
95 1/4	87 1/4	Funding 3% '66-68	94 1/4	94 1/4	94 1/4	2 1 5	3 9 2 1/2	40 8	34 -	31 a	5 a	English Elect. £1	39 9	40 3	4 19 5 1/2	
102 1/2	98 1/4	Funding 4% '60-90	101 1/4	101 1/4	101 1/4	2 1 9	3 18 11 1/2	46 -	36 6	31 a	7 1/2	General Elect. £1	38 9	38 0	5 16 2	
91 1/4	85 1/4	Savings Bonds 3% '60-70	91 1/4	92 1/4	92 1/4	2 5 6	3 14 10 1/2									
91 1/4	84 1/4	Savings Bonds 2 1/2% '64-67	90 1/4	90 1/4	90 1/4	2 4 6	3 8 10 1/2	19 6	15 6	6 1/2	31 a	Bristol Aero 10/-	19 6	19 6	5 1 3	
103 1/4	100 1/4	Victory 4% '20-76	102 1/4	102 1/4	102 1/4	2 0 5	3 17 4 1/2	7 7 1/2	5 8 1/2	4 a	6 1/2	British Motor 5/-	6 6	6 6	8 1 6	
89 1/4	82 1/4	Savings Bonds 3% '65-75	89 1/4	89 1/4	89 1/4	2 7 2	3 16 2 1/2	35 10 1/2	23 6	7 1/2	7 1/2	De Havilland £1	29 -	27 3	5 10 1	
95 1/4	86 1/4	Consols 4% aft. Feb. '57	93 1/4	93 1/4	93 1/4	2 7 0	4 5 5 1/2	37 3	25 1 1/2	15 c	15 c	Ford Motor £1	36 -	36 3	4 2 9 1/2	
86 1/4	77 1/4	Conv. 3 1/2% aft. April '61	85 1/4	85 1/4	85 1/4	2 5 3	4 2 8 1/2	50 6	36 6	6 a	9 b	Hawker Siddeley £1	49 3	48 -	6 5 0	
65 1/4	57 1/4	Treas. 2 1/2% aft. April '75	64 1/4	64 1/4	64 1/4	2 3 1	3 18 9 1/2	56 3	78 6	25 c	25 c	Leyland Motors £1	85 -	85 -	5 17 8	
76 1/4	67 1/4	Treas. 3% aft. April '66	74 1/4	74 1/4	74 1/4	2 4 4	4 1 0 1/2	32 -	24 -	2 a	8 b	Raleigh Ind. £1	31 -	33 6	5 19 5	
94 1/4	87 1/4	Treas. 3 1/2% '77-80	92 1/4	92 1/4	92 1/4	2 5 11	3 19 1 1/2	71 3	58 6	10 b	5 a	Rolls Royce £1	69 4 1/2	68 9	4 7 3	
94 1/4	90 1/4	Treas. 3 1/2% '79-81	94 1/4	92 1/4	92 1/4	2 5 8	3 18 7 1/2	7 3	5 3 1/2	12 c	12 c	Standard Motor 5/-	5 6	5 5 1/2	11 1 6	
86 1/4	76 1/4	Redemption 3% '86-96	84 1/4	84 1/4	84 1/4	2 4 5	3 15 3 1/2									
87 1/4	77 1/4	War L'n 3 1/2% aft. Dec. '52	84 1/4	84 1/4	84 1/4	2 5 7	4 3 1 1/2	24 -	19 -	20 c	5 a	Boots Pure Drug 5/-	25 6	24 -	4 3 4	
65 1/4	58 1/4	Consols 2 1/2%	64 1/4	64 1/4	64 1/4	2 2 10	3 18 0 1/2	38 9	16 6 1/2	12 1/2	37 1/2	Debenhams 10/-	33 9	33 6	5 19 5 1/2	
89 1/4	83 1/4	Br. Elec. 3% '68-73	89 1/4	89 1/4	89 1/4	2 7 2	3 16 9 1/2	103 7 1/2	85 7 1/2	17 1/2	5 a	Lyons (J.) "A" £1	95 -	96 3	4 13 5	
89 1/4	82 1/4	Br. Elec. 3% '74-77	88 1/4	88 1/4	88 1/4	2 6 6	3 16 5 1/2	74 9	46 3	35 c	20 a	Marks & Spen. "A" 5/-	76 -	74 9	3 13 7	
103 1/4	99 1/4	Br. Elec. 4 1/2% '74-79	104 1/4	104 1/4	104 1/4	2 2 2	4 0 4 1/2	67 4 1/2	44 3	55 c	20 a	Woolworth 5/-	68 -	65 9	4 3 8	
94 1/4	88 1/4	Br. Elec. 3 1/2% '76-79	93 1/4	94 1/4	94 1/4	2 4 9	3 17 11 1/2									
86 1/4	76 1/4	Br. Trans. 3% '78-88	84 1/4	84 1/4	84 1/4	2 6 6	3 16 10 1/2	8 1/2	5 1/2	30 b	5 a	Anglo-Iranian £1	8 1/2	8 1/2	4 2 8	
89 1/4	83 1/4	Br. Trans. 3% '68-73	89 1/4	89 1/4	89 1/4	2 7 3	3 16 10 1/2	60 4 1/2	40 11 1/2	12 1/2	21 a	Burmah Oil £1	58 9	58 9	5 2 2	
101 1/4	95 1/4	Br. Trans. 4% '72-77	100 1/4	101	101	2 3 1	3 19 1 1/2	£34 1/2	£29 1/2	12 b	4 a	Royal Dutch 100 fl.	£34 1/2	£33 1/2	4 9 2	
86 1/4	76 1/4	Br. Gas 3% '90-95	85 1/4	85 1/4	85 1/4	2 4 3	3 14 9 1/2	99 1 1/2	75 7 1/2	10 1/2	5 1/2	Shell Reg. £1	95 7 1/2	93 9	5 16 5	
96 1/4	91 1/4	Br. Gas 3 1/2% '69-71	96 1/4	97 1/4	97 1/4	2 2 11	3 15 11 1/2	18 7 1/2	11 6	5 1/2	15 1/2	Trinidad L'holds 5/-	18 9	18 9	4 6 1 1/2	
101 1/4	98 1/4	Br. Gas 4% '69-72	100 1/4	100 1/4	100 1/4	2 3 3	3 19 0 1/2	44 1 1/2	34 6	13 1/2	21 c	Shipping	38 6	38 6	8 6 3	

(c) To earliest date. (f) Flat yield. (h) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1952		Prices, 1953		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Jan. 6, 1954	Price, Jan. 13, 1954	Yield, Jan. 13, 1954
High	Low	High	Low					
88 1/4	81 1/4	92	84 1/4	Aust. 3 1/2% '65-69	90 1/4	90 1/4	4 1 3 1/2	38 6
92 1/4	86 1/4	95 1/4	91 1/4	N. Zealand 3 1/2% '62-65	95 1/4	95 1/4	3 14 2 1/2	58 9
98 1/4	89 1/4	93 1/4	93 1/4	S. Africa 3 1/2% '54-59	98	98	3 17 7 1/2	54 4 1/2
68	60 1/4	73 1/4	66 1/4	L.C.C. 3% aft. 1920	72 1/2	72 1/2	4 2 9 1/2	60 3
91	84	95 1/4	90 1/4	Liverpool 3% '54-64	95 1/4	95 1/4	3 10 0 1/2	£84 1/2
91 1/4	85 1/4	94 1/4	88 1/4	P.L.A. 3 1/2% '66-71	93	93	4 1 3 1/2	52 -
103 1/4	97 1/4	104 1/4	101 1/4	Agrie. Mort. 5% '59-89	102	102	4 12 3 1/2	66 -
68 1/4	61 1/4	77 1/4	66 1/4	Austria 4 1/2% '34-59	76	77 1/2	4 7 2 1/2	71 9
13	5	21 1/4	8	Chinese 5% 1913	14	14	Nil	72 1/2
68 1/4	43 1/4	74 1/4	49 1/4	German 5%	74 1/2	77 1/2	...	58 -
85 1/4	45	102 1/2	65	German 4 1/2%	104	109 1/2	...	4 6
145 1/4	103	139 1/2	119	Japan 5% 1907	134	134	...	14 7 1/2

Prices, 1953		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 6, 1954	Price, Jan. 13, 1954	Yield, Jan. 13, 1954
High	Low							
46 1/4	36 1/4	7 a	9 b	BANKS & DISCOUNT				
60 1/4	46 3	6 a	8 b	Barclays £1	45 -	45 6	4 7 11 1/2	59 6
80 1/4	64 1/4	8 a	8 b	Lloyds "A" £5, £1 pd.	60 -	76 6	4 3 8	76 6
79 6	59 3	8 1/2 a	8 1/2 b	Midland £1, fully pd.	78 -	75 6	4 10 1	85 -
87 9	70 -	9 a	9 b	N. Prov. "B" £5, £1 pd.	79 -	85 -	4 4 8	95 -
91 3	67 6	7 1/2 a	17 1/2 b	Westminster £4, £1 pd.	85 -	95 -	5 5 3	57 -
55 -	41 4 1/2	5 a	5 b	Alexanders £2, £1 pd.	57 -	58 6	3 8 5	49 6
49 9	39 -	5 a	5 b	Nat. Disc. "B" £1	49 6	48 -	4 3 4	40 -
40 1/4	32 3	4 a	4 b	Unic. Disc. £1	40 -	40 -	4 0 0	41 -
49 -	39 3	9 b	7 a	Chart. Bk. of India £1	41 -	41 -	6 16 7 1/2	...
9 1/4	7 1/4	85 b	50 a	Leg. & Gen. £1, 5/- pd.	9 1/4	9 1/4	3 12 0	...
22 1/4	17 1/4	40 1/2 b	20 1/2 a	Pearl £1, fully pd.	21 1/4	21 1/4	5 2 8	...
39 1/4	32 1/4	100 1/2 c	105 1/2 c	Prudential "A" £1	37 1/4	37	5 3 2	...
131 6	114 9	10 a	33 b	Bass £1	128 1 1/2	128 1 1/2	6 14 3	...
18 1/4	15 9 1/2	15 b	7 1/2 a	Distillers 4	17 6	17 6	5 2 10	...
33 7 1/2	27 -	7 a	11 b	Guinness 10	33 -	33 -	5 9 1	...
10 -	7 10 1/2	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 7 1/2% of face value (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18 1/2%. (i) 12% par for 9 months; yield basis 16%. (j) Also 5% Corporation bonus, not included in yield. (k) Yield basis 14%, as forecast by Company. (l) To latest date (m) Yield basis 10% after capital bonus. (n) Yield basis 11 1/2% after capital bonus. (o) Also 5% net capital distribution, not included in yield. (p) Yield basis 7%. (q) Yield basis 15% after capital bonus. (r) Yield basis 15 1/2%, as forecast by Company. (s) Yield basis 15 1/2%, as forecast by Company. (t) Yield basis 19 7/8% gross. (u) Yield basis 30%. (v) Yield basis 7 1/2%. (w) Also 2 1/2% tax free out of capital profit, not included in yield. Yield basis 20%. (x) Yield basis 18 1/8% gross.

New York Closing Prices

	Jan. 6	Jan. 13		Jan. 6	Jan. 13		Jan. 6	Jan. 13
Balt. & Ohio	19 1/2	19 1/2	Am. Smelting	30 1/2	29 1/2	Inter. Paper	56 1/2	56 1/2
Can. Pac.	22 1/2	22 1/2	Am. Viscose	36 1/2	34 1/2	Nat. Distill.	18 1/2	18 1/2
N.Y. Cent.	19 1/2	18 1/2	Col. of Amer.	20 1/2	19 1/2	Sears Roebuck	61	60 1/2
Pennsyl.	17 1/2	17 1/2	Chrysler	62 1/2	60 1/2	Shell	79 1/2	79
Amer. Tel.	156 1/2	157 1/2	Gen. Elec.	89	88 1/2	Std. Oil of N.J.	73 1/2	73 1/2
Stand. Gas	12 1/2	12 1/2	Gen. Motor	61 1/2	60 1/2	U.S. Steel	40 1/2	39 1/2
United Corp.	5	5	Goodyear	64 1/2	64	Westinghouse	51 1/2	51 1/2
W. Union Tel.	41 1/2	40 1/2	Inter. Nickel	36 1/2	37	Woolworth	43 1/2	44 1/2

Statistics

The following list shows the most recent date on which each statistical page appeared.			
BRITISH		OVERSEAS	
Prices and Wages.....	Jan. 2nd	Western Europe :	Jan. 2nd
Production and Consumption	Jan. 9th	Production and Trade.....	Jan. 2nd
Manpower.....	This week	British Commonwealth	Jan. 9th
External Trade.....	Dec. 26th	Western Europe :	Jan. 2

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
WHOLESALE PRICES ⁽¹⁾ (1948 = 100)												
1938	31	26	44	6	63	0.4	43	2	36	55	52	21
1951	228	121	147	155	159	149	122	103	143	143	140	103
1952	253	114	145	163	165	149	129	97	140	152	143	104
1953	239	106	134	154	159	185	128	97	133	152	139	103
July	243	106	131	154	159	190	128	97	133	152	138	103
August	238	106	132	154	159	189	128	96	133	152	138	105
September	238	...	132	153	159	189	128	...	...	153	138	106
October	...	...	131	154	...	...	...	...	...	152	138	...
November	...	...	...	...	...	...	...	...	...	...	...	...

COST OF LIVING ⁽¹⁾ (1948 = 100)												
1938	31	27	60	6	64	0.4	55	2	49	63	61	29
1951	185	105	119	130	108	139	110	110	130	122	120	103
1952	217	106	123	145	110	146	119	114	130	133	129	109
1953	197	105	123	144	108	163	...	116	129	135	130	113
July	199	106	...	143	108	167	126	116	128	136	130	114
August	199	106	...	141	107	171	...	116	129	136	130	114
September	200	106	123	141	107	171	...	...	129	137	130	114
October	200	107	...	141	107	...	...	...	...	...	130	...
November	200	107	...	141	107	...	...	...	...	...	...	...

IMPORT PRICES ⁽²⁾ (1948 = 100)												
1938	...	27	40	7	39	...	39	1	24	32	45	21
1951	241	120	133	187	127	...	128	112	131	128	145	91
1952	250	116	130	182	121	...	129	109	131	132	154	91
1953	294	107	119	164	105	...	122	101	119	124	141	91
June	280	110	...	106	...	...	123	105	116	119	...	92
July	276	109	...	104	...	...	125	101	113	125	...	90
August	281	...	...	103	...	...	123	100	...	123	...	91
September	...	...	...	101	...	...	...	...	...	122	...	...
October	...	...	...	...	...	...	...	...	...	...	...	...

EXPORT PRICES ⁽²⁾ (1948 = 100)												
1938	...	25	40	6	51	...	37	1	25	32	42	24
1951	233	120	109	146	122	...	123	110	115	133	155	128
1952	263	120	114	158	131	...	126	107	117	137	153	122
1953	262	100	108	151	124	...	108	107	122	124	137	112
June	256	101	...	123	...	...	123	100	95	124	...	114
July	239	99	...	122	...	...	129	104	97	119	...	142
August	228	100	...	121	...	...	126	106	...	117	...	142
September	...	...	...	119	...	...	...	...	...	116	...	...
October	...	...	...	...	...	...	...	...	...	...	...	...

CURRENCY IN CIRCULATION ⁽³⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £
1938	7.82	23.6	425	112	...	8.80	2.198	18.2	19	1,048	455	213
1951	99.1	1,734	1,833	64.3	1,237	3,039	2,530	4,140	1,179	...	...	...
1952	8.79	102.1	1,889	2,124	10.22	2,476	69.9	1,343	3,171	2,787	4,620	1,280
1953	9.27	105.1	1,761	2,179	10.79	2,535	67.3	1,260	3,209	2,824	4,140	1,325
July	9.39	104.8	1,729	2,214	10.88	2,769	67.9	1,261	3,228	2,825	4,400	1,413
August	9.39	104.4	1,750	2,227	11.03	2,971	68.4	1,280	3,233	2,802	4,430	1,460
September	9.46	...	1,844	...	11.13	3,141	71.0	1,272	3,277	...	4,590	1,518
October	...	...	1,861	...	...	...	72.7	...	...	...	...	1,483
November	...	...	...	...	...	...	...	...	...	...	...	...

GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁴⁾ (mn. US dollars)												
1938	...	736	76.7	2,791	...	26.8	59	201	1,003	128.3	512	34
1951	...	1,054	118.2	809	...	3.8	206	1,045	544	149.9	395	217
1952	...	1,077	142.1	676	...	9.9	219	910	929	148.3	379	191
1953	...	1,035	146.7	579	...	10.5	219	849	1,079	146.5	375	210
July	...	1,043	151.3	584	...	10.5	218	...	1,093	147.3	388	209
August	...	1,042	164.2	539	...	10.5	223	...	1,113	153.0	399	210
September	...	1,058	165.4	...	...	10.5	232	...	1,138	151.8	411	213
October	...	1,077	168.1	...	...	10.5	235	...	1,154	147.6	...	215
November	...	...	...	...	...	...	...	...	...	...	...	...

(1) Relates only to prices in capital cities for Austria, France, Greece and Turkey. Cost of living in Paris based on 1949 = 100, and in Western Germany on July-December, 1948 = 100. (2) Index numbers of unit value which compare the current value of trade with its value in 1948; they are influenced by changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. (3) Notes only for France and Austria. (4) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only. (5) Average of second quarter.

Financial Statistics

EXCHEQUER RETURNS

For the nine days ended January 9th, there was an "above-line" surplus (after allowing for Sinking Funds) of £98,161,000 compared with a deficit of £33,410,000 in the previous week and a surplus of £125,657,000 in the corresponding period last year, bringing the cumulative deficit to £447,532,000 (£399,474,000 in 1952-53). Net expenditure "below-line" absorbed £15,752,000, which brought the total cumulative deficit to £746,390,000 (£845,665,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Jan. 10, 1953	April 1, 1953 to Jan. 9, 1954	Ten days Jan. 10, 1953	Nine days Jan. 9, 1954
Ord. Revenue	1782,250	802,303	775,520	146,453	131,788
Income Tax	127,000	69,000	65,800	18,000	15,800
Sur-tax	160,000	114,250	125,300	3,100	3,500
Death Duties	52,000	38,250	42,600	1,000	1,000
Stamp	214,000	310,600	152,300	15,500	7,500
Profits Tax & E.P.T.	99,500	250	50,350	150	2,300
Excess Profits Levy	1,000	1,460	870	150	100
Special Contribution and other Inland Revenue	...	...	...	...	...
Total Inland Rev.	2435,750	1336,113	1212,740	184,353	161,968
Customs	1044,300	806,870	823,203	32,728	25,523
Excise	680,480	555,541	553,690	6,440	4,935
Total Customs and Excise	1724,780	1362,411	1376,893	39,168	30,458
Motor Duties	69,000	35,599	29,932	19,404	11,451
PO (net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	9,600	10,900	...	...
Sundry Loans	25,000	21,461	21,995	1,412	1,684
Miscellaneous	95,000	91,777	96,040	583	398
Total	4368,215	2856,961	2748,500	244,920	205,959
Ord. Expenditure	615,000	454,080	462,445	11,107	11,113
Debt Interest	48,000	31,143	36,625	2,204	2,568
Payments to N. Ireland Exchequer	10,000	9,348	8,202	2,681	2,466
Other Cons. Fund.	3586,286	2736,952	2662,874	102,600	90,300
Total	4259,286	3231,523	3170,145	118,592	106,447
Sinking Funds	...	24,912	25,886	672	1,350
"Above-line" Surplus or Deficit	...	-399,474	-447,532	125,657	98,161
"Below-line" Net Expenditure	...	446,191	298,858	19,838	15,752
Net Receipts from:	...	...	...	...	...
Tax Reserve Certificates	121,583	204,438	134,911	16,043	...
Savings Certificates	3,800	12,050	2,600	1,300	...
Defence Bonds	43,221	33,399	2,788	309	...

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FLOATING DEBT

Date	Treasury Bill	Ways and Means Advances	Public Depts.	Bank of England	Total Floating Debt
1953	...	...	...	...	...
Jan 10	4,636.1	249.1	...	...	4,885.3
Oct. 10	4,525.8	245.9	...	...	4,771.7
" 17	4,552.2	262.2	...	...	4,814.3
" 24	4,550.4	264.1	...	...	4,814.5
" 31	4,538.1	254.9	1.3	...	4,794.3
Nov. 7	4,555.2	250.0	...	...	4,785.2
" 14	4,591.7	253.9	...	...	4,845.5
" 21	4,604.2	268.8	...	...	4,873.0
" 28	4,620.5	254.0	...	...	4,875.1
Dec. 5	4,674.4	342.5	...	...	4,916.9
" 12	4,726.3	283.1	2.3	...	4,966.7
" 19	4,759.0	266.9	1.0	...	5,026.9
" 31	4,853.5	250.1	...	...	5,103.6
1954	...	...	...	...	...
Jan 9	3,110.0	1679.9	249.6	...	5,039.5

* 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

LOMBARD STREET has weathered the first week of heavy revenue transfers without serious dislocation. Special purchases by the authorities—made both directly and indirectly through the banks—were necessary on Saturday, Monday and Wednesday, but only on Monday did they assume even moderately large proportions. In the rest of the week covered by Wednesday's Bank return credit supplies from maturing bills were large enough to meet the considerable demands for funds.

At last week's Treasury bill tender the market maintained its bid at £99

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Total resources over £350,000,000



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THE ROYAL BANK OF CANADA

(Incorporated in Canada in 1869 with Limited Liability)

Head Office, Montreal

JAMES MUIR,
President

T. H. ATKINSON,
General Manager

Condensed Annual Statement

as on 30th November, 1953

ASSETS

Cash, Cheques and Balances with other Banks	\$600,920,111
Government and other Public Securities not exceeding market value	972,141,265
Other Securities not exceeding market value	101,301,757
Call Loans	149,280,474
Other Loans and Discounts	994,865,750
Liabilities of Customers under Letters of Credit	51,213,787
Other Assets	26,133,045
	\$2,895,856,189

LIABILITIES

Capital, Reserve and Undivided Profits	\$108,299,176
Notes in Circulation	83,335
Deposits	2,734,644,077
Letters of Credit Outstanding	51,213,787
Other Liabilities	1,615,814
	\$2,895,856,189

Over 790 Branches

In CANADA, ARGENTINA, BRAZIL, BRITISH GUIANA, BRITISH HONDURAS, COLOMBIA, PERU, URUGUAY, VENEZUELA, CUBA, HAITI, PUERTO RICO, DOMINICAN REPUBLIC, BRITISH WEST INDIES. Offices in NEW YORK, LONDON and PARIS. Correspondents the world over.

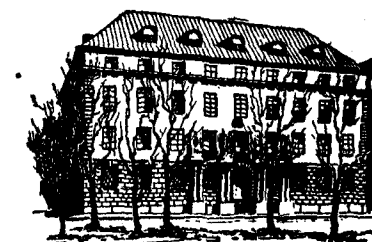
Auxiliary in France:

THE ROYAL BANK OF CANADA (FRANCE)
Paris

LONDON BRANCHES:

City Office: 6, LOTHBURY, E.C.2. West End Office: 2/4, COCKSPUR STREET, S.W.1.
B. Strath, Manager. R. B. Murray, Manager.
W. S. Hunter, Asst. Manager. A. P. Harvey, Asst. Manager.
C. F. Stuart, Asst. Manager.

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FOREIGN EXCHANGE DEPT: 1302

TELEPHONES: 22 19 40. MANAGEMENT: 22 19 00

POSTAL ADDRESS: STOCKHOLM 16

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PLANNED COST

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LIFE ASSURANCE SOCIETY
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2½% per annum

Income Tax paid by the Society

Equal to £4.10.10 per cent to investors
subject to income tax at the standard rate

The current rate of interest on share accounts is 2½%, and on ordinary deposit accounts 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets £153,974,000

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proud heritage and that the present generation is fully able to add in their time to the glories of the past.

We now realise we need not be down and out, given the enthusiasm and endurance, each in our own differing spheres, to give of our best.

With the general and progressive freeing of commodities, the individual—the housewife in particular—has an important responsibility in keeping down the cost of living. She is entitled to and should take every advantage of open competition in the purchase of the food and other commodities which she has to buy.

To do so may necessitate her going to several shops instead of to one to obtain the best value and, given the opportunity and encouragement, no one is better at getting her full money's worth than the careful British housewife. She has the power in her own hands, and it is her duty and to her advantage to use it to the full and thereby add her contribution to increasing the value of the pound and the purchasing power of her husband's pay packet.

The Government is to be congratulated on its general policy of decontrol and the orderly way it has been carried through. Our thanks and appreciation are due to those who have given so much time and constructive thought in evolving practical schemes to put this into effect and, by rebuilding the futures markets for cotton, grain and other raw commodities, enabling us once more to play our proper and essential role in the entrepôt of commerce and the ironing out of wide fluctuations in the prices of primary commodities.

NEED FOR GREATER PRODUCTION AND EXPORTS

The need for greater and greater production and more and more exports is as urgent today in our convalescence as it was at the height of our financial illness, but there the Government, while offering every verbal encouragement, does everything to make it not worthwhile or less worthwhile by taxing industry and, more particularly, individuals at proportionately higher rates in accelerated ratio to their increased effort.

Last year's Budget was a step towards restoring incentives, but, until a man earning up to, say, £20 a week can be assured that the tax-gatherer will leave him with at least fifteen shillings in the pound at his top rate of tax and the man in the higher categories, who by his ability and energy earns considerably more, is left with a minimum of five shillings in the pound, again at his top rate of tax, there is no realistic incentive for either to exert himself to the full. This could be brought about in both cases in various ways, but perhaps the simplest method would be by adjustments in the earned income allowance and by lifting the limit now imposed.

The older generation which is slowly passing out of the productive field has acquired from the past the habit to work almost regardless of the net reward—this habit dies slowly.

The coming generation looks at things from a different angle and weighs up the extra effort required against the net remuneration and so often comes to the more logical conclusion that the energy or risk, or both, are inadequately rewarded and would rather have a more leisurely time with, if possible, a pension and so avoid the restraints inherent in saving from taxed income.

HIGH TAXATION THE NEGATION OF THRIFT

High taxation is the negation of thrift, the fairy godmother of extravagance and the advocate of "let us eat, drink and be merry,

for tomorrow we die," as die industrially we surely shall unless efficiency, energy, the will to expand and the elimination of waste are encouraged.

The present day-to-day mentality is fostered by the knowledge that, before we die and certainly when we do die, the results of our life-time of toil and thrift will be seized by the tax-gatherer and that the industrial structure which we have laboriously built up will suffer for the lack of the financial support which has been removed by the Inland Revenue and, finally, by the Death Duty Department who shed no tears over the hardships they leave behind.

All this is abundantly clear in the case of the small private businesses which make up so large a part of the industrial economy of the nation and provide so much employment but it is equally true, though the process is slower and less dramatic, in the case of the larger public companies.

Sufficient funds are not left in industry after paying the high taxation to replace their worn-out assets, the tools by which they earn sufficient to pay wages and instal new machinery. To purchase and pay for the new or modernised factory, the only alternative to incurring a fresh debt by issuing debentures is to invite the public to subscribe new risk capital.

Even if the public has the cash available, after paying their own high taxes, there is little encouragement to put depleted savings into business which, if it is successful and makes a profit, has again to suffer penal taxation and in an atmosphere where it is considered, by some, to be almost immoral to make a profit at all.

The same disincentive affects everyone, be they shareholders, executives or employees; all are frustrated by the lack of inducement to fulfil their true functions to the best of their ability.

The shareholder, the man who puts up the capital to make the project possible at all, is discouraged from risking his money on a "heads you win, tails I lose" taxation proposition. The executive has little encouragement to accept higher responsibilities with attendant worries, seldom getting away from them when he leaves his office.

for so little increase in his net reward and the workman by working harder or longer on piece rates or over-time merely works himself into a higher income tax group, so that his extra effort does not make a proportionate difference to his net pay-pocket.

EXTRA SKILL AND EFFORT SHOULD BRING EXTRA REWARDS

It is rightly accepted by all, particularly by the trades unions, that extra skill and effort should bring extra rewards and effect is given to this in industry by increased rates for overtime and piece rates, but the Treasury has deliberately set out to nullify this whole conception in demanding, by taxation, a higher percentage of earnings in almost direct ratio to those rewards for increased effort.

The continuous calls from the Government to industry to exercise more "drive, courage and vision" sound rather insincere when these are the very commodities that deliberately they choose to tax almost out of existence.

If the incentives to earn more were restored and taxation adjusted so that a greater and not lesser proportion of that increase could be retained by the earner, then, and then only, would there be a voluntary and eager increase in effort and output. The spirit of adventure would be rekindled and, as in days gone by, another new generation of men would arise who, by boldness, foresight and toil would work themselves from the desk and bench to be the founders of new and great industries, to the benefit of the country and the countless thousands who would be found employment.

The Australian Government has brought in a "Stimulus" Budget providing substantial reductions in company taxation and in income tax. It is designed to give the utmost possible encouragement to individual effort, to business enterprise and to individual and collective savings.

It is to be hoped that our next Budget will follow similar lines, having had a lead from a younger member of the Commonwealth family.

But how is all this to be done? A large proportion of our taxes goes in the servicing

of the national debt on which our national credit depends and on defence. In these critical days, only a madman would advocate risking our national security by reducing our armed forces below the safety limit, but the determination of where this limit lies must be left, and properly left, to those qualified by a full knowledge of the over-all position. All we can urge is that we get full value for the vast defence expenditure.

Apart from these two items of Government expenditure, the rest, however desirable,

must not exceed our ability to pay for them, and must pass the acid test of whether they produce really worthwhile results.

One pound of our income can only be spent once. We have the choice of saying "Whitehall knows best" and let Whitehall spend that pound for us, or we can insist that we know our own individual needs better than the gentlemen of Whitehall and demand to be allowed to spend it as we think best and wisest. What is certain is it cannot be spent twice.

SOUTH DURHAM STEEL & IRON COMPANY

RECORD LEVEL OF PROFIT

BENEFITS FROM POLICY OF EXPANSION

FURTHER IMPORTANT DEVELOPMENT SCHEMES

MR B. CHETWYND TALBOT ON EFFORTS TOWARDS SELF-SUFFICIENCY

The fifty-fifth ordinary general meeting of South Durham Steel & Iron Company, Limited, was held on December 23, 1953, at Cargo Fleet Ironworks, Middlesbrough.

Mr B. Chetwynd Talbot, chairman and managing director, who presided, said:

Before I comment on the activities of the South Durham Group for the financial year which ended on October 3, 1953, I should place on record that the whole of the assets and activities of the Cargo Fleet Iron Company, Limited, were transferred during the year to the parent company. Though the Cargo Fleet Iron Company, Limited, will cease to trade under its own name, no changes will arise either in the internal running of the company or the usage of its world-renowned name on its steel products.

The gross profit of the South Durham Group before depreciation charges, taxation, or other deductions amounted for the year to £2.25 million, representing an increase of £720,000 as compared with the previous financial year and £900,000 as compared with the 1950-51 financial year.

SUBSTANTIAL CAPITAL EXPENDITURE PROGRAMME

The record level of profit earned during the last financial year is principally due to the policy of the company over the last seven years to expand production of steel products and to ensure a high level of efficiency is secured from the capital invested in the undertaking. During the last financial year £1,585,363 was invested in capital expenditure account alone, of which sum £1,050,000 was set aside from the net profits retained and from the depreciation of £451,005 charged in the accounts, to which reference is made in detail at a later stage. The total of the Group's expenditure under this heading during the last three financial years is brought to an amount of no less than £4.7 million. It has been possible for South Durham to find from its own resources and by way of retainable profits £3.7 million of this amount and it has only been necessary to borrow in the form of loan £1,050,000 from the former Iron and Steel Corporation of Great Britain.

The further development of the activities of South Durham and its controlled companies does not terminate at this point. Schemes approved by the Government amounting to £7.5 million are being ener-

getically executed and capital expenditure on these schemes during the immediate three years will be substantial. The major part of this expenditure represents the building of additional coke ovens, ore handling and preparation on the most modern lines, two blast furnaces of large capacity, and plate mill expansion. These developments will play an important part in enabling the industry to become self-sufficient in the production of its raw materials for an ingot output of 20-million tons put forward as the national level to be achieved by 1957/58.

DEPRECIATION CHARGE

I mentioned at the commencement of my statement that our gross profit for our last financial year amounted to £2.25 million. Our total depreciation charge for the year amounted to £451,005 and on the programme of the further capital expenditure referred to, depreciation charges will increase during the ensuing four years at a rate of approximately £100,000 per annum, amounting by 1956/57 financial year to a total of £850,000.

HEAVY DEMAND FOR STEEL PLATES

I am pleased to be able to put on record that as far as the North East Coast is concerned the plate shortage is now being rapidly overcome. Our heavy plate mill which, after complete reconstruction, came back into production in the summer of 1947 has played an important part in meeting the heavy demand which has been experienced for steel plates. Plate production from this mill since reconstruction in 1947 will exceed 1 million tons by mid-January, 1954. The reconstruction of our medium plate mill contained in our development programme already mentioned will be executed to avoid interference with output and on completion in 1956 this mill will surpass in efficiency any similar mill in Europe.

EXPORT ENDEAVOURS

At our steel pipe works we have developed electric welding to the highest world standards and substantial dollar-earning contracts have been secured in world markets in which steel pipes of American manufacture previously held a monopoly.

During the year under review we have succeeded at our Cargo Fleet Works in rolling broad flange beams in our range of sizes which are comparable in weight with American and Continental practice. As the handicap on the matter of comparable weights has been overcome, it is our intention to endeavour to increase our exports, particularly in dollar-earning markets.

TRIBUTE TO MANAGEMENT AND EMPLOYEES

In conclusion, the board place on record their appreciation to the management and all employees of the company for the part they have played during the year in the successes which have been achieved.

The report and accounts were adopted and the other formal business duly transacted

THE CHARTERHOUSE INVESTMENT TRUST

A NOTE OF WARNING

The twenty-ninth annual general meeting of The Charterhouse Investment Trust Ltd., will be held on February 3rd in London. The following is an extract from the circulated review by the chairman, Mr H. Nutcombe Hume, CBE, MC:

It is a great pleasure to your directors to be able to report a substantial increase in the profits of the Group and of the Trust itself. The profit of the Charterhouse Industrial Development Company and its subsidiaries (Charterhouse Finance Corporation, Charterhouse Australia and Charterhouse Canada) is also in excess of the estimate given in the prospectus at the time of the preference share issue.

It is in no spirit of pessimism that your board think the outlook for industry generally in this country must be viewed with caution. Everything points to a great increase in competition for world markets, and unless this country can maintain and increase its sales to overseas customers, one of two things must happen; either we must endure a much lower standard of living or we shall lose population by emigration or even by starvation.

These words may sound dramatic, but the simple truth is that we have to import a substantial proportion of the food we need to live and of the raw materials for industry; and we can only pay for that food and those raw materials if we can make and sell abroad goods which the overseas buyer wants at prices he is prepared to pay.

FINANCE ESSENTIAL

In this vital field of export, finance is essential and the services of the City backed by knowledge and experience are indispensable, especially to new entrants into this most important field.

No one has yet devised, and I do not believe anyone will ever devise, a substitute for the process which fertilises with capital the less well developed parts of the world and by raising the standard of life of millions of people in those areas establishes a market for the goods made in industrialised countries such as our own. Risk taking is the very essence of progress and we should be grateful to those who in the past took great risks financially and otherwise in developing the trade of this country. Present taxation both here and overseas makes the taking of such risks relatively unattractive financially but that does not alter the fact that if we are to survive as a great nation the process must go on.

There is, I think, some evidence that the body of opinion which believes that profits are not quite respectable or that they should be divided in some different proportions between the capitalist and others, is losing support and that fundamentally everyone capable of coherent thought realises that the stimulus of profit making is good and not bad. I am quite sure that the vast majority of employees at every level prefer to work for a company which makes good profits, for this more than anything else provides them with a sense of security.

In July, 1953, we opened in Toronto the offices of Charterhouse Canada Limited. It is early yet to report progress, but there are excellent prospects in Canada and several proposals are in hand. We are now "in the black" in Australia despite a difficult trading period over there and I am satisfied from a personal visit in February last that Charterhouse Australia Limited should continue to develop satisfactorily.

MARTINS BANK LIMITED

STATEMENT OF ACCOUNTS, 31st December, 1953

LIABILITIES	
Capital paid up	£4,315,096
Reserve Funds	6,000,000
Current, deposit and other accounts (including Profit and Loss Account)	330,767,419
Acceptances and engagements on account of customers	18,802,550
	£359,885,065
ASSETS	
Cash in hand and at Bank of England	£26,628,065
Balances with, and cheques in course of collection on, other banks in the British Isles	18,069,429
Money at call and at short notice	34,288,000
Balances with banks abroad	252,734
Treasury Bills	50,490,000
Bills discounted	3,035,159
Investments	120,184,980
Advances to customers and other accounts	83,248,241
Martins Bank Executor and Trustee Company (Channel Islands) Limited	100,000
Trade Investments	664,684
Bank Premises	4,121,223
Liability of customers for acceptances and engagements	18,802,550
	£359,885,065

LONDON DISTRICT OFFICE: 68 LOMBARD STREET, E.C.3

HEAD OFFICE: WATER STREET, LIVERPOOL, 2

THE ROYAL BANK OF CANADA

CONVERTIBILITY CLOSER

MEANS OF AIDING BRITAIN IN FREEING POUND

MR JAMES MUIR URGES DOLLAR COUNTRIES TO REDUCE TRADE BARRIERS

The eighty-fifth annual general meeting of shareholders of The Royal Bank of Canada was held on Thursday, January 14th, at the head office in Montreal. Mr James Muir, the president, in the course of his address, said: The attitude of our Government is generally one that favours freedom of international trade and exchange. Pressure for special treatment, even when backed by evident hardship on the part of some producer groups, has been met by clearly moderate concessions. Moreover, our monetary authority has adopted a policy appropriate to a nation that must maintain a competitive position in foreign markets. Not the least important aspect of this policy has been the active encouragement by our central bank of a money market in Canada. The Bank of Canada's activities and its co-operation with financial institutions in this respect have led to great improvement.

MONEY MARKET NEEDED

But today something more is needed. It is time now for the chartered banks and all other financial institutions in Canada not only to support the efforts of the central bank but to take positive steps to increase their own initiative and activity in the development of a Canadian money market. Such a market is not only a symbol of economic maturity and strength, but is, in fact, prerequisite to continued progress in a country, like Canada, whose economic future depends on the expansion of world trade and investment.

But ours is a difficult and complex problem. We have only to consider the plight of those firms and those workers who have developed a sizeable economic stake behind the protection our own laws have already provided. Any attack upon the high-cost economy strikes directly at them. Without prejudicing their moral case for aid in the general process of adjustment, we can, I think, recall with advantage Adam Smith's admittedly extreme example of the effect of protection upon the national economy. Grapes, he said, could be grown in Scotland under glass, and very good wine could be made from them at 30 times the cost at which equally good wine could be imported. It would have been a tragedy for the world, as well as for Scotland, if that country's natural advantage in producing a wholly different beverage had been weakened by so extreme a national policy!

Clearly, a far less painful resolution of our dilemma would present itself if we found the delivered price of our exported products were suddenly reduced through lower tariffs abroad, or if we found our whole foreign market suddenly expanded through the restoration of convertible currencies throughout the world. I turn now therefore to the other devices for overcoming the evils of the high-cost economy: namely, the general liberalisation of world trade and the free convertibility of currencies.

DOLLAR AREA'S ROLE

We seem nearer to convertibility today than we have been since the imposition of wartime exchange control throughout most of

the world; but the prerequisites to convertibility have not changed.

Since the end of the war the world's hopes for convertibility have waxed and waned with Britain's exchange reserves. Today, with reserves at \$2,520 million and steadily improving, Britain can afford once more to consider freeing the pound sterling with the great advantage that now she will move from a position of strength rather than weakness.

I think we can say that Britain and her partners in the sterling area, as well as most of her Nato partners in Western Europe, have not only accepted convertibility as desirable in principle, but have in fact subjected themselves to the discipline in their domestic monetary and fiscal policy which is one of the prerequisites to convertibility.

I believe the time has come for the dollar area to show evidence of good faith by reducing trade barriers both in the form of tariff duties and in the form of Customs formalities and red tape. The dollar area must in addition show willingness to undertake certain responsibilities in the international monetary field.

STERLING BALANCES

There is the problem of the sterling balances with their constant threat to the stability of the pound; and there is, in addition, the problem of sterling area exchange reserves, which, though improving, are still considered insufficient by informed opinion abroad to lend wisdom to an immediate dash for freedom. On both counts, it is the dollar countries that can overcome the, doubtless well-founded, fears of our friends abroad.

Once these fears are removed, and given a continuation of the present rate of progress in dollar-short countries, the two great economic blocs in the western world will be able to move as an economic as well as a political body towards the twin goals of welfare and freedom.

CANADA'S HIGH-COST ECONOMY

Startling and unpleasant as it may be, however, there is evidence also that Canada is tending to become a high-cost economy in which natural and artificial barriers prevent us from achieving the degree of flexibility and mobility required for orderly adjustment. One marked evidence of this inflexibility is to be found in the failure of retail prices to reflect the general fall, since 1951, in the prices of raw materials.

This, as I pointed out last year, may be called a "concealed inflation"; it is the inflation not of final prices but of production and distribution costs.

We must reverse this process and achieve increased flexibility in our economy if we are to make those price adjustments which are necessary both to maintain stability and prosperity at home and to insure our competitive position in world markets. But we should also further in every possible way the present movement in western nations towards a world of liberalised trade and convertible currencies; for it is only in such a world

that we can reap the full fruits of our competitive position.

I have emphasised the seriousness of the problems we have to face both in the immediate and in the more distant future. This does not mean that I have anything but the most abundant faith in our ability as a nation to solve our problems; but I have thought it better to risk some over-emphasis than to encourage false hopes. The economic policy required to solve these problems will involve the sacrifice of expediency to sound principle in a number of matters where the choice must be politically very difficult. But the ultimate reward is great: no less in fact than the growth of Canada to the economic stature she needs to take her place among the great nations of the world.

ASSETS EXCEED \$2,895,000,000

T. H. Atkinson, the general manager, in commenting on the bank's financial statement, noted "a quite substantial increase of \$204,399,315 in assets, which now total \$2,895,856,189. This is the highest figure ever reached by a Canadian bank and places The Royal Bank of Canada well up in the list of the largest financial institutions of the world. Deposits are reported at \$2,734,644,076, an increase of \$207,133,639, as compared with the previous statement. This increase has been accompanied by the expansion in the number of accounts on our books. We are now conducting over 2,350,000 accounts, and it is of interest to note that the number of deposit accounts in Canada has more than doubled since 1942."

Mr Muir, the president, directed the shareholders' attention particularly to the bank's reserve fund, now totalling \$70 million, which, he said, "is now, for the first time in our history, twice as large as our paid-up capital. This year's increase in this fund results from the appropriation or transfer to it of not only a part of the year's earnings, but also of \$12 million from our reserves for contingencies."

Branches of the bank now number 793, of which 70 are in countries outside Canada.

The report and accounts were adopted.

STERLING ESTATES, LIMITED

INCREASED INCOME

The twenty-sixth annual general meeting of Sterling Estates, Limited, was held on January 13th, in London, Mr Douglas Overall, JP, FAI (the chairman), presiding.

The following is an extract from his circulated statement for the year ended September 30, 1953:

The gross rental income of the parent company totals £132,887, an increase of £4,658 over that of the previous year, notwithstanding certain reductions in rental income by reason of sales at the close of that year and transfers of property to subsidiary companies in the year under review amounting to some £4,700. Income from the subsidiary companies at £14,234 shows a substantial increase which is partly due to income tax repayments in respect of relief for maintenance expenditure in previous years. Income from your associated company is increased at £4,850 with a resultant total income for the year of £151,982.

Ground rents, interest charges, other outgoings and general expenses total £63,334, leaving a net revenue, subject to taxation, of £88,648. This revenue showing an increase of £6,978 arises solely from rental and

investment income, there having been no sales of property during the period under review.

Your directors recommend the final dividend be raised from 5½ per cent to 6½ per cent (less income tax), making a total of 9½ per cent, as against 8½ per cent for the previous year.

The report and accounts were adopted.

BASS, RATCLIFF AND GRETTON, LIMITED

MR C. A. BALL'S STATEMENT

The sixty-seventh annual general meeting of the ordinary stockholders of Bass, Ratcliff and Gretton, Limited, was held on Monday, January 11, 1954, at the registered offices of the company, High Street, Burton-on-Trent.

The chairman, Mr C. A. Ball, presided, and was supported by the following members of the board: The Rt Hon Lord Gretton, OBE, Mr A. G. Manners, Mr W. P. Manners, Mr P. D. Manners, Mr F. F. Toone, Mr W. R. Soper, Mr I. M. Lewis, and Mr R. D. R. Bateman, MBE, ACA, with Mr T. H. Charles (secretary), and Mr I. M. Taylor representing Messrs Whinney, Smith and Whinney (auditors) in attendance.

The secretary read the notice convening the meeting, and the auditors' report.

The chairman said:

Gentlemen, I have to submit for consideration and adoption, the report of your directors, together with the audited statement of accounts for the year ended September 30, 1953.

These were sent to you on December 19th last, and have, therefore, been in your hands for the statutory period, and with your agreement I propose to take them as read.

In the directors' report you will see that reference is made to the retirement of Mr Arthur Manners, and it is with the very greatest regret that my colleagues and I have to record this.

He joined Worthington's more than half a century ago, and was in due course asked to accept a seat on the board, being appointed a director on November 29, 1902.

His father was at that time the chairman, and upon his death, Mr Arthur Manners succeeded him in that position. He was appointed chairman of this company on October 8, 1945, which office, as you know, he held at the time of his retirement on September 30th last.

At all times his long experience, guidance, and his advice have been of incalculable help to the board, and I feel sure that all the stockholders will join with us in wishing him many happy years of retirement.

NO MEAN ACHIEVEMENT

You will see that the trading profit for the past year shows an increase, and this is no mean achievement having regard to the heavy taxation of various sorts to which our product and our profits are subject, and the still rising costs which we have to face.

The substantial transfers to reserves are fully explained in your directors' report and in the notes on the accounts, and I do not think there is any useful comment I can add thereto.

I should like once more to record our appreciation and thanks for the services and co-operation rendered during the year

by officials, staffs and operatives of our group.

I now beg to move that the report of the directors, and the balance sheet for the year ended September 30th last be adopted; that the half-yearly dividends paid on December 31, 1952, and June 30th last on the 5 per cent cumulative preference stock of the company, and the interim dividend of 10 per cent on the ordinary stock paid on June 26th last be approved, and that a final dividend be and is hereby declared of 33 per cent on the ordinary stock, making with the interim dividend of 10 per cent paid on June 26th last, a total dividend of 43 per cent for the year, all less income tax, such final dividend to be payable on or after January 16, 1954.

The Rt Hon Lord Gretton seconded the resolution, which was carried unanimously.

RETIRING DIRECTORS RE-ELECTED

The retiring directors were re-elected—Mr W. P. Manners on the proposition of Mr W. R. Soper, seconded by Mr R. I. Tooby; Mr W. R. Soper on the motion of Mr A. G. Manners, seconded by Mr C. G. Welch.

Mr I. M. Lewis, Mr R. D. R. Bateman and the Rt Hon Sir James Grigg, elected directors during the year, were re-elected—Mr I. M. Lewis on the proposal of Mr W. P. Manners, seconded by Mr F. Hanson; Mr R. D. R. Bateman on the motion of Mr F. F. Toone, seconded by Mr J. F. Rose; the Rt Hon Sir James Grigg on the proposition of Mr P. D. Manners, seconded by Mr S. C. Robotham.

The remuneration of the auditors, Messrs Whinney, Smith and Whinney, was voted on the proposal of Mr I. M. Lewis, seconded by Mr E. C. Walters.



TATE & LYLE, LIMITED

"Where all the money goes"

AN ANALYSIS OF INCOME AND EXPENDITURE IN 1953.

	£	£	Proportion of each £1 of Income s. d.
DISBURSEMENTS			
GOODS AND SERVICES PURCHASED FROM OUTSIDE:—			
Raw Materials (including Duty of £10,362,570)	83,740,382		16 7½
Fuel and Power	1,264,760		3
Packing Materials	4,261,143		10½
Other Refining Expenses	975,387		2½
Advertising	50,839		—
Overhead and Special Expenses, including Selling and Distribution	1,609,193		4
	91,901,704		
VALUE ADDED OR NET OUTPUT:—			
Wages, Salaries, National Insurance and Employees' Benefits	4,884,691		11½
Provided for Renewals of Plant and Machinery and Depreciation of other Fixed Assets	1,045,366		2½
United Kingdom Taxation on Profits and Provision for Contingent Liability	1,967,742		4½
Amount placed to Reserves	470,848		1
Dividends to Ordinary and Preference Stockholders (Net)	656,898		1½
	9,025,545		
TOTAL DISBURSEMENTS	£100,927,249	£1 0 0	
INCOME			
VALUE OF EXPORT SALES (including £5,619,548 Drawback)	30,398,690		6 0½
VALUE OF HOME TRADE SALES AND OTHER INCOME	70,528,559		13 11½
TOTAL INCOME	£100,927,249	£1 0 0	

* THROUGH THE PHILIPS WORLD WINDOW



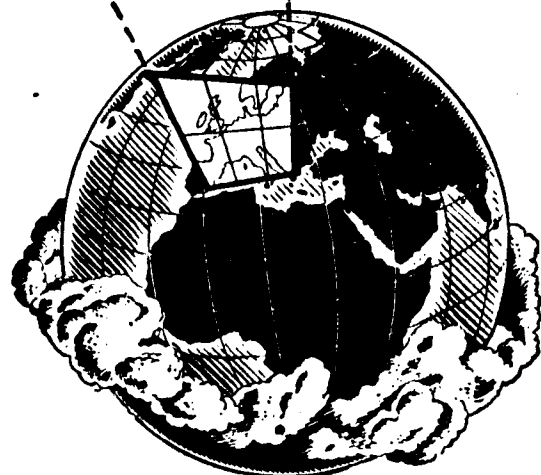
A radio receiver in PARIS

IN France, as in many other countries of the world, Philips is ceaselessly contributing to the advancement of radio. But that is not all. If you should require an electric lamp—if you need a welding plant or an X-ray tube—if, indeed, you need anything electrical, Philips are there to give your requirements expert attention on the spot.

In France, too, you will see the famous Philips emblem—a symbol behind which stands over half a century of scientific and engineering knowledge—a sign round which has been built a reputation of leadership in the whole field of things electrical.

PHILIPS

SERVE THE ENTIRE WORLD



Wherever you may be in the world a Philips local organisation will always supply you on the spot.



ELECTRONIC TUBES • INCANDESCENT, FLUORESCENT, MERCURY AND SODIUM LAMPS • RADIO AND TELEVISION RECEIVERS • MEASURING APPARATUS • ELECTRIC DRY SHAVERS • HOUSEHOLD APPLIANCES • MEDICAL APPARATUS • H.F. GENERATORS • WELDING ELECTRODES AND WELDING PLANTS • CINEMA EQUIPMENT • RADIO AND TELEVISION TRANSMITTERS • TELECOMMUNICATION EQUIPMENT • AUTOMATIC AND LINK TELEPHONY INSTALLATIONS • RADAR INSTALLATIONS • DIAMOND TOOLS • INDUSTRIAL RECTIFIERS • PUBLIC ADDRESS INSTALLATIONS • IMAGE AMPLIFIERS • TAPE RECORDERS.

The Economist

FOUNDED 1843

JANUARY 23, 1954

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Imperial by Default

ONE of the disadvantages of disillusion is that politicians are never likely to be lucid in expressing it. It is therefore not surprising that the communiqué issued by the Commonwealth Finance Ministers last week-end was a jumble of careful contradictions, in eight pages of double talk and bad grammar. The Ministers renewed their vows of fidelity to the principle of non-discrimination in trade, but intimated that discrimination was to remain as their house-keeper. They proclaimed their confidence that there would be no American recession, and then hinted at the preparations they had made to withstand one. They announced that more savings would be made available by the United Kingdom to finance Commonwealth development, and then called a press conference to emphasise that Britain did not intend to cut down spending in order to bring those savings into existence.

Fortunately, however, the present state of Commonwealth economic thinking is not—indeed it could not be—as silly as the Ministers have made it sound. The mere fact that the communiqué was so muddled suggests that one clear-cut misconception may at last have been left behind. Hitherto, ever since the Commonwealth awoke to the awkward realisation that it would have to have some sort of coherent trading strategy for the nineteen fifties, the Finance Ministers have been bedevilled by the false belief that that strategy must be based on a deliberate choice between two contradictory policies: a single trading world on the one hand, or a cosy imperial bloc on the other. In fact, however, the logical policy has always lain between. The objective now must be to maintain the advantages (while trying to tone down the disadvantages) of a close sterling area connection for the time being, and to emerge gradually towards a single trading world as and when opportunity offers. Last week's communiqué suggests that the Ministers now recognise this in practice, but have not yet got round to admitting it in cold print.

If so, a watershed has been crossed. The advantages of an advance to a single trading world, with sterling convertible and import restrictions either totally abandoned or entirely non-discriminatory, are familiar to everybody who has read Adam Smith. The disadvantages of too speedy an advance are familiar to everybody who remembers 1947—though there have been strange lapses of memory, from time to time, at the Bank of England. There are three pre-requisites before such an advance can be completed. The first is that dollar reserves outside North America will have to be increased, perhaps by increasing the dollar-borrowing and dollar-lending capabilities of the International Monetary Fund or by some device of that kind. The second is that there should be some assurance that any recession in America will not cut back American imports as sharply as in 1949. But it is not enough to provide reserves for the bad year; the really difficult thing is to ensure that in the good and average years the sterling area shall be able to balance its dollar account without restrictions.

The third and most important condition is therefore that America should gradually increase its imports from other countries by more than other countries increase their imports from it; any American demand for reciprocity in this matter will merely be a demand for shifting the postwar tendency to payments disequilibrium from a lower to a higher level of world trade.

This week-end the report of the Randall Commission on America's foreign economic policy will be published. It remains to be seen whether it will propose more, and whether Congress—many months of wrangling later—will enact more, than mildly useful measures of reciprocity. If it does, and if the American recession holds off, then the sterling area is likely to attempt some advance towards freer payments and trade. Such an advance might even eventually embrace something that is called convertibility. The Bank of England agrees with Humpty Dumpty that a word can be made to mean just what one wants it to mean. But perhaps the Treasury still remembers what the King's men had to do to Humpty Dumpty, shortly after he said that.

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These, however, are battles for the hypothetical future. Even if some advances are eventually made the sterling area must plainly remain, for a long time to come, as a largely discriminatory trading bloc. The task in the interim must be to see that the system works. It will work only on certain definite conditions, which can be tersely stated even though they are often diffusely misunderstood. The sterling area must not become a club that requires its members to adjust their trading policies for the purpose of bolstering up other members' declining industries and increasing consumption, while purchases of food and raw materials from outside the area are financed largely by gifts or loans. It must not become a charitable institution in which a few spendthrifts live off other members' abstinence and hard (or relatively hard) work. And it must not kick constantly against the pricks of the price system, because this is an exercise that will lead only to bad temper and eventual secession.

These conditions are important; unless they are fulfilled, an Empire crusade—now translated into the verbose out of the vernacular—will merely become another Empire crisis. The way in which the sterling area should not be run was demonstrated in 1946-51. During those crisis-ridden years Britain encouraged certain overseas dominions to indulge in a wild spending spree; it did so because, thanks largely to the discriminatory import licensing in force, much of that wild spending bolstered up employment in Lancashire and other centres of declining British industries. But the wild spending resulted directly, and the diversion of British resources to satisfying it resulted indirectly, in a large payments deficit for the sterling area as a whole. Admittedly, this deficit could be covered in some of those years out of generous American assistance, which will soon come to a stop; and it was bolstered by the

dominions' drafts on their war-accumulated sterling balances, which have now been drawn down. Perhaps, therefore, to return to the pattern of 1946-51 would in any case be impossible. But there were disturbing signs at Sydney that some people would rather like to try.

The second condition of the sterling area's continued effectiveness is that the degree of abstinence and discrimination that its members are required to practise should be seen by all of them to be to their advantage. In the recent past it has not worked to the advantage of the colonies, who have piled up surpluses while the independent dominions have piled up deficits; and there were hints in last week's communiqué that in the near future it may not work to the United Kingdom's advantage either. There were vague suggestions in that communiqué of an increase in the flow of British capital to the overseas Commonwealth; admittedly there were emphatic statements at the subsequent press conference that this flow would not be at the expense of consumption in Britain—but this suggests that it may be at the expense of productive investment in the United Kingdom itself, which would be rather worse. It should be a cardinal principle of sterling area economics that the limited amount of investment that the Commonwealth can afford should be directed towards the most productive fields; this probably implies some increase in development of basic resources in the dominions, but it should also imply a cut in industrial investment there. It would be a pity if the new phase of imperial development proved merely to be a phase in which the colonies taught their grandmother how to suck bad eggs.

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The third principle for the sterling area today is that when its trade is sticky it must adjust its prices; this is inconvenient because many Commonwealth countries feel that when their prices are sticky the Commonwealth should adjust its trade. The problem can best be exemplified by a concrete difficulty that arose during the discussions at Sydney. The Australians complained that they had a surplus of wheat, but that other countries were continuing to buy dollar wheat just because it was cheaper; they added, quite properly, that Australia had often bought British machinery in the past even although it was dearer than American machinery. But this awkward problem of cost disparities has arisen because Australia and Britain have inflated more thoroughly than America and Canada; and the obvious moral is that they must inflate less thoroughly in the future. It is incumbent upon the sterling area to recognise this.

But it is also incumbent upon other countries to recognise that the moral cannot be pushed too far. Adaptability there must certainly be in the Commonwealth if there is to be life and progress. But that does not mean that large changes can be made overnight in countries where those who would be hurt by them have votes. It may be possible to avoid further inflation; it is ridiculous to suppose that all the inflation that has

already occurred can be rolled back, for that would mean cutting wage rates. Or again, if America does have a recession, the Commonwealth governments will do all they can to protect themselves, even if that means running counter to long-term principles. It is not therefore so silly in practice as it appears to be in theory for the Commonwealth countries to agree to buy each other's dearer products instead of other people's cheaper products—as appears to have been discussed at Sydney. The economist who, with his eyes on long-range targets, denies that there can ever be a logical case for wider merging of preference within the sterling area may be just as far from the mark as the politicians who, to relieve a temporary emergency, creates a permanent encumbrance.

These, then, are the guiding lights of policy, not for

The President's Late Start

PRESIDENT EISENHOWER has now been in office for a full year. This would normally be long enough for at least provisional opinions to be forming of the quality of his performance as a statesman. Yet in most people's minds judgment is still curiously suspended. This is because in many ways Mr Eisenhower is only now making a start, while in other ways he seems to be making his way back to the starting point from false beginnings. Many of the new starts that are being made, moreover, bear much more resemblance to Roosevelt's New Deal and even to Mr Truman's Fair Deal than could ever have been deduced from the language used by Republicans during the campaign of 1952. The Republicans' first year, in fact, has been largely spent in finding out what cannot be done; they have still to show what they can do. With many Presidents and Prime Ministers to say this after twelve months would be to pass a fatal verdict. It is Mr Eisenhower's great strength that, in spite of it, he still enjoys by far the greater part of the worldwide good will with which he came into office.

It is perhaps natural that the difference between January 1953 and January 1954—between the false start and the real one—should seem most manifest to the outside world in foreign policy. A year ago the advent of the Republicans was awaited with considerable apprehension throughout the free world. This was not because they were ignorant amateurs—on the contrary, both the new President and his Secretary of State were full of experience in this field. It was because the Republicans, during the campaign, had declared themselves just as determined to change the Democrats' foreign policy where it was good as where it was bad. There was to be a complete re-shuffle, and America's allies could not help feeling frightened about what might be lost in the process. Mr Dulles himself

a Commonwealth economically strong enough to do what it likes but for a Commonwealth that still has to walk very warily. The sterling area's gold reserves are still inadequate, its susceptibility to American recession is still immense, and many of the goods that it manages to sell in the American market are still liable to sudden and regressive American tariff changes. Like everybody else, it can only set full sail for prosperity on the high seas of a freely trading world; but in present circumstances the high seas would probably make it sick. If there was some recognition of this in the Sydney communiqué, some hankering after a quieter—though less profitable and less invigorating—haven, liberals should keep a curb on their criticism and illiberal temper their acclaim.

had been saying things that sent shivers down the European spine.

These fears have been largely—almost entirely—allayed. From the start, Mr Dulles in the State Department proved to be a much more prudent and accommodating figure than Mr Dulles on the political platform. Indeed, the word began to go round quite early in the summer that it was at least as easy to deal with the new Administration as with the old—some said easier. In the last few months, Mr Dulles has seemed to realise that, when he speaks, he addresses the whole world, not merely the Republican party. Starting with his notable address to the United Nations in September, he has been making the most praiseworthy attempts to draw the great alliance of free nations together again after the all but disastrous cleavages to which party politics (of several nationalities) were exposing it during the summer months.

It would be wrong to give the impression that American foreign policy has gone indistinguishably back to where it was when Mr Truman and Mr Acheson left office. There are differences. The President can say, as he did two weeks ago that

the initiative is becoming ours. Our policy, not limited to mere reaction against crises provoked by others, is free to develop along lines of our choice not only abroad, but also at home.

And Mr Dulles can make it clear that the end of the Korean fighting and the growing strength of the free world are making it possible for the United States to rely on mobile striking forces, based chiefly on the American continent, and equipped with the latest nuclear weapons. These forces will be used to "retaliate, instantly, by means and at places of our own choosing," not necessarily at the point of attack, against any aggressor. These are proclaimed, for domestic political

purposes, as strikingly novel doctrines. But if Mr Eisenhower and Mr Dulles have more freedom for manoeuvre in their foreign policy than Mr Truman and Mr Acheson did, it is mainly due to two pieces of good fortune: the defence programme that was started in 1950 is now coming to maturity; and they are not, as their predecessors were, the victims and prisoners of embittered and unprincipled political and personal attacks. Initiative and flexibility they certainly have; but neither can fairly be claimed to be a Republican invention.

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In domestic matters, as in foreign affairs, President Eisenhower seems also to be back where he started a year ago, after in the intervening period falling below the level expected of him; indeed in many ways he is now even further back, where his predecessor left off. Just as Mr Dulles has returned from a disturbing flirtation with "liberation" to a more highly developed form of Mr Acheson's "containment" as the best way of checking Soviet expansion, so President Eisenhower, in the legislative proposals which he is now pouring on Congress, has returned from the conservative ways of traditional Republicanism, down which he seemed to be wandering during and after the election campaign, to liberal paths which lead in the same direction as the New Deal, to the road that he was chosen to follow by those who, eighteen months ago, saw in him the only hope that the Republican party could be saved from itself.

Mr Eisenhower's concern with the human problems of the individual American and with prosperity for all Americans; his conviction that a serious economic recession can, and must, be avoided; his social welfare proposals; even his controversial agricultural programme—all these have a Rooseveltian look. As the details are filled in, however, the content of the proposals becomes distinctly Republican. For Mr Eisenhower hopes to reach his objectives gradually, with the help of state and local governments and of private enterprise, rather than by driving straight ahead with all the force that the federal government can build up. This, and the conciliatory way in which his requests are being put to Congress, contrasts favourably with Mr Truman's regular truculence. Nevertheless, as the President has now recognised himself, something more drastic will be needed if Congress is to accomplish more this year than it did last, when little except the absolute essentials were dealt with.

It is of course true that an inexperienced President, leading a party that has been out of office for twenty years, needed time to learn his job, to recruit officials and to reorganise departments, so that he could count on loyalty and efficiency—that there was some lack of both in Washington cannot be denied—and to obtain expert advice on what ought to be done. But taking a year to do this has meant losing the first enthusiasm of victory; it has been further dashed by the President's evident lack of happiness in his job. It has

also meant losing a valuable year of Congressional time, a year not overshadowed by a coming election as the present one is.

This loss has been especially unfortunate because the very narrow Republican majorities in Congress, now almost non-existent, and the conservative outlook of the Republican leaders there, and particularly of the powerful chairmen of committees, have made the President dependent on Democratic votes for most of the important victories that he has had. Such Democratic support will be harder to come by in an election year, and the conservative Republicans may also be even harder to bring to heel, for they are convinced that, being more knowledgeable politicians, they are better able than the President to judge what the voters will want next November.

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Mr Eisenhower agrees with them that the voters will want even more economy in government and a glimpse of a balanced budget, and he has made concessions to the view, although he disputes its validity, that Communism in government will still be an issue at election time. To the regret of those who feel that amputation would be a better treatment for the McCarthy disease than plastic surgery, the President still seems to be trying to put a respectable face on the Senator, most noticeably by asking for anti-Communist legislation during the present session of Congress.

This Mr Eisenhower may well get, and he has said that at last he is prepared to use pressure to get a great deal more. He is already mobilising his most valuable political asset in any struggle with Congress, his overwhelming personal popularity, which has been dissipated hardly at all in the past year. He has begun to rally public opinion—voting opinion—behind him through his press conferences and wireless appearances. If he will really use all the weapons at his command, there are few American observers who doubt that he can impose his wishes on Congress.

But they are much less sure whether the will is there, for Mr Eisenhower (it is not such an odd thing to say of a twentieth-century general as might seem at first sight) is not a natural fighting man; he is not a good insister. How far he is prepared to go in deliberately incurring the hostility of powerful members of his party as the price of getting his own way still remains to be seen. But it cannot remain in doubt much longer. If the greater part of the President's programme is to be enacted, the maximum pressure will have to be applied unremittingly every day between now and the summer, and results will soon have to be visible. These next few weeks will be decisive. To a remarkable extent, the world, like the American people, is still ready and anxious to give Mr Eisenhower the benefit of the doubt. He has already been given much more time than is allowed to other politicians. He will be straining his good fortune and his goodwill if he asks for much more.

Behind M. Bidault

THE Berlin conference means more for France than for any of the other participants. It is safe to say that, whatever happens in Berlin, the internal politics of Great Britain, the United States and the Soviet Union will be affected very little or not at all; there will be no change in the position of Sir Winston Churchill's government, or President Eisenhower's or Malenkov's. But this is not the case with France. The moves of the pieces on the French political chessboard will be governed to an appreciable extent by the results of the conference. For the future of Germany is a dominant issue in French politics. Either the conference will produce a *détente* (whether well or ill founded is here irrelevant) in international affairs, or the international temperature will remain very much as it is. Translated into terms of French politics, this means that the European Defence Community will either become a less urgent issue or continue to overshadow the business of governing France. And the permutations of the parties are likely to be one thing if Germany and the EDC are to the fore, but quite another thing if they are not.

The principal effect of the German question in French politics has been to draw a line across the parties between nationalists and internationalists. The internationalists, supporters of the EDC, are to be found mostly in the centre; the nationalist colours have been sported mostly by the Gaullists and the Communists. (The latter, despite their subservience to Moscow, have performed the not inconsiderable feat of posing as nationalists, because opposition to EDC has been accepted as equivalent to nationalism.) This joining of the extremes against the centre has been not only incongruous but also a major source of damage to the French political system, for the association of Gaullists and Communists has been an association for opposition only; there has been no question of their forming an alternative government, and the constructive moves of President and politicians have therefore been confined to a rather cramped centre.

There have already been some signs of a reversion to what is a more normal pattern for a parliamentary democracy—the pattern of right against left, as opposed to the pattern of a centre fighting on two fronts. On the left the Communists, following a line also evident in Italy and elsewhere, have shown themselves ready to revive a form of popular front; the failure of the demonstrations against General Ridgway in May, 1952, and M. Billoux's confession that his advocacy of violence had been a mistake were followed by overtures by M. Duclos to the Socialists. For their part the Socialists have made suggestions, in political and trade union circles, for a reforming and democratic front of the left parties—though they would not admit the Communists to it. And, thirdly, there has been an attempt to rally

all the more active and younger leftward-inclined elements of all parties round the person of M. Mendès-France. So far none of these schemes has come to anything; the German question—which is also the Russian question—cuts across them all, and activity has been in suspense since a four-Power conference became a probability. But if it could be disposed of, the forces of the left might well be drawn together in one form or another.

There are similar symptoms of consolidation on the right. Here the attitude of the Gaullists has been crucial; it has also taken many people by surprise. It was at one time believed that the Gaullist RPF, though nationalist, was also a *parti social* and therefore leftward inclined; it was also expected that the party would modify its hostility to the EDC and to the sacrifice of France's national army when it decided to enter the "system" and to play the party game. But these beliefs and expectations have been proved false. The Gaullist deputies elected in 1951 have turned out to be conservatives rather than social reformers; as they have gradually given their support to a succession of Prime Ministers, the governments of the last eighteen months have become more and more conservative. First a dissident group of Gaullists gave outside support to M. Pinay. Next, this group joined the government of M. Mayer, when he succeeded M. Pinay at the beginning of last year. At the same time the orthodox section of the RPF began a similar conversion from opposition to cabinet, giving its support to M. Mayer and then joining M. Laniel's present team.

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But if the right has been strengthened in this way, it has not been consolidated. Nor does it look like being consolidated so long as international tension keeps the German problem and ratification of the EDC treaty at the top of political programmes; for the Gaullists, while joining the "system," did not abandon their opposition to the EDC. The Gaullist deputies may have felt that they were belying the earlier popular and revolutionary current in General de Gaulle's movement; they may also have felt the pricks of conscience in joining the "system" which their rally had been formed to denounce and destroy. Whatever the reasons, they have apparently felt the need to stress their remaining link with General de Gaulle by emphasising rather than soft-pedalling their hostility to the foreign policy of the groups with which they have allied themselves in the chamber and the cabinet. A coherent right is, therefore, still a shadowy thing and, like a coherent left, its emergence as a stabilising political force waits upon the outcome of the Berlin conference.

The German question, therefore, stands in the way of the evolution of French politics towards two blocs, one of the right and the other of the left, but if there were a real change in the atmosphere after Berlin, then the way would be clearer for the growth of the two blocs—provided the centre parties which have most to lose by such a redistribution of power did not prevent it.

These parties—notably the MRP and the Radicals—will be in an unenviable position, for they risk dismemberment. The MRP is a mixed party of progressive intellectual internationalists, respectable bourgeois Christians, and right-wing business interests. The Radical-Socialist party is no less of a Janus. Its liberal economics draw it to the right away from the Socialists, but its anti-clerical tradition pulls it to the left towards the Socialists, and its whole history in the Third and Fourth Republics has been a series of shifts to the right, tempered by jerks to the left. Both the MRP and the Radicals could put serious obstacles in the way of the development of a two-bloc system. The MRP may refuse to join a right-wing bloc because of unwillingness to abandon its policy of European integration, while the Radicals may fight shy of entering a left bloc with the Communists.

This, then, is the situation at which M. Bidault will from time to time glance over his shoulder as he sits at the Berlin conference table. His future and that of his MRP party are involved in the outcome of the conference, as is the fate of the Laniel government, of which he is a member. It is far more difficult for him than for Mr Dulles or Mr Eden to be single-minded and resolute, for there are openings in the French

position into which Soviet diplomacy and propaganda have been probing for a long time. There is the general French distrust of any rearmament of the Germans; there are the particular sectional dislikes of a defence community that is insisted on by the United States, that appears likely to engulf the French, that might allow Germany to dominate the West European group; there is the fashionable hankering after an old-style Franco-Soviet understanding in face of resurgent Germany; and, above all, there is the baffling and instinctive tendency of French policy to hesitate over that unification of Germany, which has been an agreed western aim for so long.

This is not to say that M. Bidault's loyalty to his colleagues is in question; but it will be wise to keep three facts in mind during the next few weeks. The first is that M. Bidault has been given the support of the Assembly on condition that French policy is "independent." The second is that, while M. Bidault may agree with Mr Dulles and Mr Eden on the long-term strategy of relations with Russia, he has a significantly different position on the tactics; for while they are (or ought to be) in a hurry, he can escape from his dilemma only by procrastination. Indeed, he has undertaken to be "infinitely patient." The third is that, even when it comes to the substance—as distinct from the time table—M. Bidault cannot be as dogmatic as his western colleagues. Molotov's instructions may this time be sufficiently flexible to enable him to make proposals that Mr Dulles and Mr Eden could reject, but that M. Bidault might feel bound to consider for reasons of domestic politics. It is a possibility to be watched for carefully.

A Phoenix Too Frightful?

THE Minister of Works had some harsh things to say last week to the City of London about the standards of design displayed in its rebuilding schemes. He told the City's planning authorities, over lunch at the Lord Mayor's table, that he believed that only prompt action could avert the sorry spectacle of "fat and familiar, mediocre and characterless neo-Georgian architecture rising from Hitler's ruins to betray the confident spirit of the new reign."

Although Sir David Eccles addressed himself to the City fathers, his warnings will—or should—reverberate around the council chambers of the other great cities of Britain. His speech came at an opportune moment. In Coventry, Plymouth and other blitzed centres, rebuilding started earlier than in the City. The first fruits of their reconstruction can now be witnessed, and judged. They are not, for the most part, architecturally impressive; if the worst errors have generally been avoided, the full opportunity has rarely been seized. It is not a happy thought that upon their present direc-

tion and quality will hinge the new look of Elizabethan England.

What has gone wrong—the powers, the plans or the people who administer them? The first answer must be that there is no lack of powers to control redevelopment or of plans to guide it. Local authorities possess an amplitude of both. They can refuse to sanction any development that is unsuitable or displeasing. They can use their powers of compulsory acquisition to enforce whatever pattern of land use is considered appropriate. If private developers refuse to co-operate, the local authority has the ultimate sanction that it can itself carry out any development that is necessary to the success of its plan. These powers are subject to the important qualifications that the central Government may refuse to approve their use, and that no local authority can in practice dispense with the all-important co-operation of private developers. But the controls remain formidable.

The fault must therefore lie with the manner—and

atmosphere—of administration. This is not entirely the local authorities' fault. Planning powers can be used with good effect to improve the street pattern and the flow of traffic, to safeguard amenities and to control the density of population. But their use for æsthetic purposes, other than for the prohibition of the more obvious eyesores, is anything but easy. Planning control is mainly negative in character and utilitarian in its objectives. It is one thing to control the building of an office so that it receives adequate air and daylight. It is quite another to make the building conform with some standard of external design. Who in such matters is a sound arbiter of elegance? Even Sir David Eccles's distaste for neo-Georgian architecture offers no absolute standard. Neo-Gothic is far, far worse.

It may be argued that although nobody can be a final arbiter of taste, a civic authority is likely to be a very feeble one. There is some element of truth in this. The attitude of many councillors towards architectural innovations is not unlike that of Sir Alfred Munnings towards modern painters, only less explicit. A suspicious conservatism may be a desirable attitude in the heyday of a great tradition, but it is not helpful to a society that is struggling to free itself from a century of bad taste. A good local authority architect can, of course, educate his council in the rudiments of design, but it is not general for an architect to head the planning department.

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This does not mean, however, that re-building would proceed more smoothly if the local authorities left the job to private enterprise. In the first place, the case for public control rests not on any supposed virtues of public taste, but on the fact that the civic authorities, and they alone, can impose the unity of design without which a street or a square becomes an amorphous collection of unrelated buildings. Architectural unity is not, of course, always successful; it may produce dull and monotonous results—as many large schemes, both public and private, bear witness. But some minimum of co-ordination over the different buildings in a street block is certainly desirable, and in a typical central area, where are concentrated the principal civic buildings, the big stores, theatres, hotels, and public meeting places, there is a need for closer co-ordination still. In the absence of large private landlords no one can attempt this except the local authority.

Secondly, the execution of the local authorities' plans depends on the active participation (and not merely the passive compliance) of a heterogeneous group of private developers. The attitudes of these developers have varied widely. Generally, only the larger businesses and financial institutions have the means and the interest to join in large schemes of reconstruction. One result has been to squeeze out the small shops from the new city centres in favour of the big department stores. Big businesses can afford to employ competent architects and with some of them it is a point of pride to set a

high standard of taste. But not all firms live up to this standard. If a city council cannot hope to get away with schemes that are too ambitious or *avant-garde*, it equally cannot hope to get anywhere at all unless it is prepared to say "no" quite often to private developers.

The need, then, is not merely for good taste and resolute planning, but also for an atmosphere in which these can be enforced and in which co-operation is regarded as a vibrant civic duty instead of a bore. The progress of reconstruction in three of the principal blitzed areas—Coventry, Plymouth and the City of London—provides contrasting case studies of these requirements.

Of the three, Coventry has undoubtedly been the most successful. Its original scheme for a new civic square open on one side to the new cathedral and leading on the other side into a new shopping precinct, accessible to pedestrians only, was not beyond criticism; it may have been a charming idea to let Lady Godiva and Peeping Tom mark the hours on the clock in the main square, but the effect of one doll leering at a pinker one invites ribaldry rather than a sense of history. Nevertheless, Coventry's modest success has been primarily due to an atmosphere favourable to planning; a public alive to the singular renown accruing from a ferocious *blitz*, a council willing to support its architect through thick and thin, a political atmosphere in which the objections of private developers could be successfully overcome. The city itself has built one commercial building that no other developer would undertake on appropriate terms, and it has waited patiently in order to find firms that would comply with its architectural specifications. The plan also had the benefit of a fortuitous send-off in the form of a gift of flowering shrubs from Holland; these were planted round the blitzed square, and from that moment public interest in a finer Coventry suddenly came alive.

Other cities have been neither so fortunate nor so pertinacious. Plymouth is a city that led the way in the speed and boldness of its postwar planning. In consequence of this, and of a local surplus of labour, it has accomplished more in terms of bricks and mortar than any other blitzed city; but it has lacked the patience, good taste or firmness to insist on a harmonious design. Ugly concrete masses, coldly faced in Portland Stone, mar the effect of the principal new shopping street, the Royal Parade. The council was determined to avoid delays and conflicts; it passed its plans in a hurry without even consulting the Royal Fine Arts Commission. The new Plymouth stands as proof that even a Labour Council may abrogate the principle of public control in the search for quick returns.

The City of London is on the other side of the political fence. Of all authorities, it is probably the most cautious and conservative, and the least anxious to offend; its plan was sent back by the wartime Minister of Town and Country Planning with the complaint that it showed excessive deference to property interests. That deference is still much in evidence. The City has taken power to acquire all

the land in its extensive blitzed areas, but its policy is to assemble land in units that are suitable for development by private enterprise. It feels faintly improper and Socialist because it owns five temporary shops; but emphasises (quite properly) that it has no desire to undertake any development on its own account, except for purposes of street improvements. It relies instead on its dual power of control in its capacities as ground landlord and planning authority, but it seems loth to use either to much effect. Yet there are large private funds waiting to be invested in schemes of rebuilding, and the City need have no fear that a strong control over design would drive out enterprise or sensibly reduce its own ground rents.

It was this lack of co-ordinated purpose that the Minister of Works was plainly intent upon criticising at the Lord Mayor's lunch last week. Sir David rightly rejected any suggestion that he should use the system of licensing to force Whitehall standards of design upon the City developers. His suggestion was that co-ordinating bodies should be set up to supervise the general design of each area of the City. If these bodies were to include the younger and less honorific architects, they might achieve useful results. But experience in other cities, and in the City itself after the Great Fire, suggests that the best results flow from giving broad powers to a single architect-designer,

working perhaps in conjunction with a committee that would restrain his excesses but not hamstring his genius. This may come perilously near to saying that the only real salvation for the City is to find another Wren; but a lesser Wren would do.

It is not too late to recreate the vision of a glorious Phoenix risen from the ashes. But if the vision is to inspire and not to frighten, the British public—both those who undertake development and those who merely have to live with it—must escape from present apathy. Some city councils (such as the City of London) should be bolder in their planning and others (such as Plymouth) more patient in execution. And the Government itself will need to be more helpful than in the recent past. Recurrent cuts in capital investment have not merely held up the plans; they have made the planners disillusioned. The Government's long refusal to let local authorities spend one unnecessary penny of public money has severely cramped their style. It has forced them to acquire land so slowly that they are having to pay for the very values that their planning has created. It has cut from the plans the little frills and pleasantries that might make all the essential difference between public apathy and public appeal. It is all to the good that Ministers should lecture the local authorities; it would be better still if they also delivered some lectures in Whitehall.

Notes of the Week

Hand-washing in Korea

THE Chinese introduced "brain-washing" into the problem of the prisoners of war in Korea; the Indians are ending it with a washing of hands. By handing the prisoners back—as prisoners—to the armies who originally held them, General Thimayya has got out of an awkward predicament. His *terme* of reference under the July armistice required him to release, as civilians, all prisoners for whom no other disposition had been agreed 120 days after the neutral commission had taken custody of them. The 120 days end this weekend, and, strictly speaking, the commission has failed to carry out its obligation, for it has not formally released its 22,000 charges. General Thimayya has preferred to place the onus of declaring these men free on the shoulders of the two military commands. The United Nations side has accepted it gladly, and rightly.

But while the Indian commander's action, which, he knew, meant release for the prisoners, may be justified,

the same cannot be said of his words. For General Thimayya has seen fit to tell the UN Command that it had no right to free these men. This statement was both a distortion of the armistice terms, and a grotesque attempt to prolong the neutral commission's theoretical authority—while the general was simultaneously cutting short its practical authority. His action must be interpreted merely as an expression of the Indian government's anxiety to shake off all further responsibility in the matter of the prisoners. Mrs Pandit's request for a special session of the UN Assembly points in the same direction.

India's attitude is wholly understandable; in Korea it has learnt, as other nations have done before it, that the role of policeman-peacemaker is a thankless one. But to resort to such Brahminical subtleties as calling the Assembly together to rule on a situation from which India will meanwhile have extricated itself is not, perhaps, the best way of satisfying all parties. It must embarrass the UN allies; and it has already been condemned by the Communists. It is a great pity that the excellent record of General Thimayya's force in Korea should be overlaid by such undignified manoeuvring.

Two Thoughts for Berlin

ATTITUDES towards the Berlin conference next week range from calm scepticism to an anxious search for ways around deadlocks that have not yet occurred. It is all somewhat like the eve of a contest for a world title, with both contestants saying they will win and sports writers advising on tactics and form. It is, perhaps, sufficient at this stage to point out two matters on which there is confusion.

Some ask: if the outcome at Berlin is further delay in the creation of a European Defence Community, what does it matter? It is not enough to reply—important though the answer is—that Western Europe needs German divisions for effective defence. It has also to be recalled that this treaty and the Bonn Conventions ending the occupation of Western Germany are inextricably interwoven; Dr Adenauer's government was to win independence by entering the defence community. If there is none to enter, how long is his government to wait for independence, and in what form and on what terms is it to be granted? Opponents of EDC have yet to produce a reassuring statement on this point.

There appears to be further confusion in the suggestion that if the four powers fail to reach broad agreement on methods of attaining German unity, efforts to reduce the dangers and inconveniences of the present division might be made by committees of experts. This, it is suggested, would "leave things as they are," but would offer some hope of progress in the future. In fact, however, any prolongation of the Berlin talks in technical committees would have on the French Assembly and on German opponents of Dr Adenauer almost precisely the same political effects as some measure of agreement about Germany by the ministers. It would encourage delay, discourage the policy of integration in Western Europe, and presumably, impel Mr Dulles towards his "agonising reappraisal." Some people would like that to happen; what matters is that those who do not want it to happen should be aware of the devious and unexpected ways in which it might happen. There is all the difference between modifying western policy in exchange for Soviet concessions, and putting off the EDC for no gain at all. The first is genuine compromise; the second is retreat—which might become defeat.

Tête-à-Tête on the Atom

MR DULLES has had two discussions in Washington with Mr Zarubin, the Soviet ambassador, about the procedure of negotiation on President Eisenhower's offer of an international pool of atomic materials. Now it is announced that he will have further procedural talks with Mr Molotov during the Berlin conference, but that he will not take his atomic experts with him to Berlin. It is not difficult to deduce that no rapid progress has been, or will be, made. Nor is it surprising. In dealings with the Communist powers, whatever the issue, tedious experience has

shown that preliminary talks are liable to last as long as full-scale conferences.

In this instance, the main difficulty can be easily identified. The Russians have made it clear that they are less interested in the Eisenhower plan than in the opportunity of reviving their own—unrelated—atomic energy proposals, so often rejected by most other nations. They will presumably try to make progress towards the President's objective depend on retreat towards their demands. Deadlock might be prevented if two sets of talks were initiated, one on the Eisenhower plan and one on the Soviet proposals; but this would involve concessions on both sides. It would not prevent the Russians from trying later to bend the two parallel lines together again.

Meanwhile, there is consolation in the fact that the atom talks, unlike the issue of China's status as a power, need not be seen as a disrupting factor at next week's conference. On the contrary, Berlin is in some ways the ideal place for them. Not only will Mr Dulles be able to talk directly, and privately, with Mr Molotov; Mr Eden and M. Bidault will also be within beckoning distance. The Eisenhower plan is not a subject that need cause alarm to the British by being handled, at least in the first stages, by the Americans and Russians alone; but full and prompt information is always reassuring, and in Berlin there should be no difficulty in getting it.

Quiet Flows the House

EVENTS conspired to bring members back to a temporarily placid House of Commons. Unwelcome spectres might be haunting the corridors, but for the moment neither side seemed prepared to usher them on to the floor of the House. Mr Butler was still in Sydney, so economic controversies were muted. Mr Lyttelton, Labour's chief whipping boy before Christmas, was in Nigeria, so no colonial crisis could be manufactured. The imminence of the Berlin conference made serious discussion of foreign issues unprofitable. The mounting tally of wage disputes might have caused a flurry; but Mr George Isaacs is still a fan of Sir Walter Monckton, and he firmly led the Opposition on to the responsible path of restrained watchfulness.

On the economic front, however, Parliament's present passiveness is unlikely to outlast Mr Butler's return. One of the first questions put to Sir Winston Churchill after re-assembly was about the Government's plans for combating the effects of any American recession. Sir Winston conceded that "our economic plans should certainly be adapted to meet any changes of conditions which can be foreseen," but added—in the best Treasury style—that "it is not thought that it is desirable to announce in advance specific measures against hypothetical situations." This is not comfortable ground for Sir Winston and he is never likely to be expansive, but Mr Butler seems certain to be pressed—perhaps from both sides of the House—for something much more precise. It is obvious that the Government has plans for use in case of recession and equally obvious why it does not want to talk about them; quite apart from the fact that any plans published now would be unlikely to be relevant to whatever odd things do occur, it

is generally recognised that if ministers sound a shrill alarm they might endanger confidence and be accused of trying to influence current wage disputes. But Parliament invariably argues on these occasions that the country expects, and needs, advance recipes for crises.

With wider controversies beyond their reach, MPs were left with a narrow argument about the level of Government assistance to local authorities, to enable them to give a temporary lease of life to houses that are scheduled for slum clearance but are not yet due for demolition. The Government's decision to pay one-half the annual loan charges and £3 per house per year was challenged by the Opposition as inadequate, but not even two such protagonists as Mr Macmillan and Mr Bevan could bring much bite to the discussion, as became clear when the Government secured a majority of 44 in the vote on the relevant resolution. In theory, the Government's margin should have been reduced by by-elections and ministerial absences almost to a single figure. But Labour has not yet been brought to the simmer, let alone to the boil.

Fanning the Sparks

THE Electrical Trades Union and the National Federated Electrical Association have continued their loud, public quarrel this week. The union called a nationwide, one-day strike on Monday; and most employers locked the strikers out on Tuesday. The main results have been that the Parliamentary Secretary to the Board of Trade was unable to open the Catering Exhibition in a seemly manner, that a great deal of important wiring at construction sites has not been completed, and that both parties to the dispute are a good deal angrier than they were a week ago. One important cause of this anger was the dismissal on Tuesday of 26 employees of W. H. Smith Ltd., electrical contractors at the Shepley Industrial Estate near Manchester. These employees had joined in Monday's strike of contracting electricians although, their employers maintain, they were not engaged under contracting electricians' agreements. The company had given due warning of its intention to dismiss men who stayed away from work on Monday; it says that 25 other members of the union were at work that day and it saw no cause, on Tuesday, to abandon its plan.

This is only one, although probably the most bitter, of the many local quarrels that have developed out of the main national contest. Only in Scotland, where both parties have sent their dispute to arbitration, has reason prevailed. On Monday some Scottish electricians obeyed the instructions of their leaders, who were directing affairs 400 miles away in Hayes Court, Bromley; but on Tuesday their employers did not lock them out. Relations were then described, by the Scottish employers, as "amicable," and both sides now seem to feel that they have indulged for long enough the belligerent whims of the English. In the meantime, in England, Wales and Northern Ireland, the union has continued the series of "guerrilla" strikes it began last week. The headquarters of each side has maintained, in its daily bulletin, that the other is coercing its members into reluctant obedience to the dictates of a tyrannical national executive.

Faced with all this violence the Minister of Labour, Sir Walter Monckton, has wisely refused to intervene; and Sir Waldron Smithers has been told, by the Prime Minister, that the Government does not intend to introduce legislation to ban strikes that are not approved by a secret ballot of the workers concerned. It is certainly not in the national interest that the electrical workers should win this strike; they have tacitly admitted, by rejecting arbitration, that they have a bad case. But the electrical employers, and some normally responsible sympathisers with the proposal of Sir Waldron Smithers, would be wise to recognise the distinction between a proper show of firmness towards exorbitant demands and a rather petty disposition to ruffle the ordinary trade unionist's temper.

Grains and Nonsense

THE Ministry of Agriculture has now announced the seasonal schedule of guaranteed prices which will be paid for home-grown cereals harvested this year. The new schedule is important, for this is the first year in which the new type of price guarantee to agriculture will operate. Under the old system, farmers sold all their grain to the Government at fixed prices; under the new system, they will sell their grain in the open market but each farmer will be compensated, in the form of subsequent deficiency payments, to the extent that his realised price falls short of the standard price determined by the Government.

The system changes, but the extravagance remains. Indeed, it is to be intensified. The new standard prices are as high as the old fixed prices, and in the case of oats they are higher. This means that the farmer can be sure that on a declining market he will be no worse off than under the old system, while on a booming market he will reap the extra profit of above-standard prices. At the moment the market is declining. World grain prices are steadily falling, and this week the Department of Agriculture in the United States announced that it is to reduce export prices in an effort to dispose of its large wheat surplus. The further world prices fall, the heavier will be the cost to the British taxpayer of supporting home production. This cost is already formidable. It is believed that the food subsidies are now again running at an annual rate of about £300 million, the greater part of which represents subsidies to home agriculture.

The new schedule shows that the lesson of the prewar Wheat Act, under which the price paid was related to the quantity produced, has been forgotten. The standard prices will lose all point if they are always above the market; and the benefits of a free market will lose most of their potency now that they are to be combined with a system whereby the guaranteed prices that will rule up to June, 1955, were determined in March, 1953. The farmer now has a triple guarantee in terms of price, quantity, and long-term market. One at least of these guarantees will have to be made less absolute if the justifiable policy of stability for British agriculture is not one day to be overthrown by an equally justifiable taxpayers' revolt against the present system of cast-iron and costly protection.

The Case of Comrade Djilas

MR DJILAS has paid dearly for the intellectual exercises whose main content is briefly summarised on page 241. He has not been expelled from the Yugoslav Communist party, but he has been stripped of all his party offices. He has already had to resign the presidency of the new Federal Assembly, to which he was unanimously elected last month, and it seems unlikely that he will retain his position as third vice-president of the Federal Executive Council. But he would have fared much worse had he made his deviations in any Soviet satellite country. He is alive, even if he is not kicking. He has not been forced to make a humiliating confession and recantation of his errors; he appears to have stuck to his guns on all essentials. Moreover, in the radio and press reports of the proceedings before the central committee there has been no suppression of his point of view.

This comparatively lenient treatment may be due to the close personal friendship between Marshal Tito and Mr Djilas; or to a cold calculation that it would be unwise to make a martyr of such a popular leader; or even to a genuine determination that political and ideological differences should be treated with moderation and fairness. What is clear is that the Marshal has been taken aback by the "incredibly large number" of Yugoslavs who have adopted his philosopher's ideas; and that he has no intention of allowing the development of a loyal opposition. To what extent Mr Djilas consciously and explicitly contemplated the creation of any such opposition is obscure, but he has apparently now admitted that his writings could provoke a split in the party.

Mr Djilas's colleagues plainly feel that his trips abroad in western countries have had an unfortunate effect on his thinking. It will be interesting to see whether their contacts with western Socialists are pursued with as much enthusiasm as in the past; the culprit, at any rate, will probably be kept at home. But as far as one can tell, there is no reason to think that the Djilas episode betokens a move towards Moscow. In his articles he more or less argued the Yugoslav Communist party out of existence; and that was quite enough to bring about his fall.

Mixing with Demigods

SINCE Beria's fall Soviet policy has followed a wayward course, as if its directors could not decide whether to go back to the path traced by Stalin or to continue along a new line. In some fields, especially over the question of nationalities, Stalinist practices have been resurrected; in others, the new regime continually breaks away from the established pattern. Last week marked such a complete break with precedent, when all the leading members of the presidium (formerly Politbureau) of the party, including premier Malenkov, first secretary Khrushchev and Molotov, took part in local party meetings in Moscow. In Stalin's time members of the Politbureau were demigods hidden from public view by the walls of the Kremlin, from which

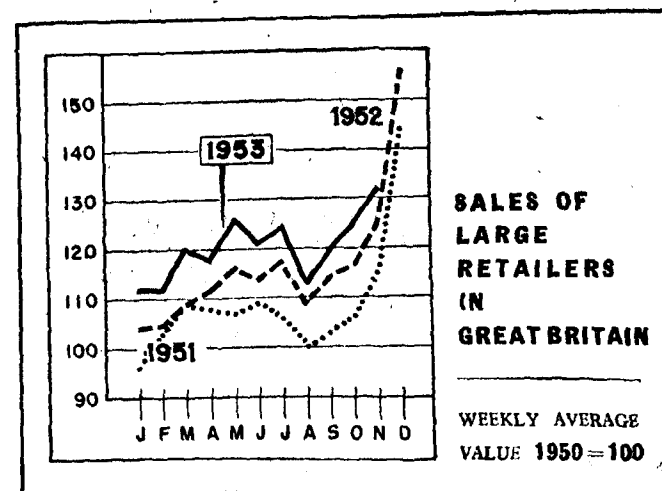
they emerged, led by their master, only on special ceremonial occasions. This time, however, they split up into small groups, each attending a different Moscow district, and discussions were apparently carried on in the constructive spirit of "criticism and self-criticism."

Obviously, even local meetings in the capital are attended only by a certain élite of workers and officials. The new rulers have still a long way to travel if they are to return to the practice of the early days of the revolution, when all leaders spoke frequently at popular mass meetings. It has not been revealed what ideas Malenkov and his colleagues had to offer last week to the Moscow delegates, but the very fact that they had agreed to attend was significant. Stalin considered that VIPs cannot stand up to close contact and scrutiny, and during the last twenty years he rarely allowed his colleagues to abandon the splendid isolation of the Kremlin.

These local party meetings may also be the prelude to another "democratic" step. Assizes of this kind are held in various parts of the country. Two republican party congresses are also to be convened in the near future. Will they be followed by an All-Soviet Congress? The last one took place some 15 months ago after an interval of 13 years. Yet so much has happened in the last year that the rulers may soon call a new congress and use it for proclaiming the new line and selecting a new leadership.

Spanish Morocco and the Sultan

THE news from Spanish Morocco is a reminder that the French government may some time have a bill to pay for its failure to consult the Spanish government and square the Spanish Zone when it so hastily changed Sultans in August. The Spanish government protested at the time, quite legitimately, for by a treaty of 1912 with France it is responsible for law and order in the Spanish zone, and no power so placed likes to be confronted, without notice, with such an upset. But its protest was not vehement, for it had no mind to stir up the Arab extremists in its own zone. Since then, it has nursed its grievance in silence. But it has in no way tampered with a local situation in which the Khalifa, or representative, of the Sultan in the Spanish



zone has not recognised the new Sultan, and is still having prayers said in the name of his exiled predecessor.

This disharmony between the two zones is awkward for the French, who have their own hands full with a steady trickle of terrorist attacks, chiefly on pro-French Moroccans, and of mysterious reprisals against Moroccan nationalists. These they attribute to "outside"—that is, to Arab nationalist—influences, which are naturally more potent if nationalist headquarters in Cairo has a friendly outpost in the Spanish zone. Hence M. Bidault's vehement reaction to the news that a gathering of Spanish Moroccan notables was due last Thursday. France's concern lest this should turn from a display of loyalty to the old Sultan into some move to endow the Khalifa with separatist powers was vigorously expressed to the Spaniards in Paris, Madrid and Tangier.

Maybe the notables' meeting will confine itself to expressing thankfulness for General Franco's Spanish Moroccan policy. This is notoriously more liberal than the policy of the French in their much more advanced French zone, though not as liberal as the nationalist firebrand, Abdel Khalek Torres, would wish. If the meeting goes further, and expresses loyalty to the exiled Sultan, the Spaniards can hardly do otherwise than explain that they have no control over a free expression of local opinion. The French are in no position to retort, for this is the very explanation that they themselves gave over the change of Sultan. During this slight and unfortunate coolness between European protectors the Moroccan nationalists sit pretty.

Jobs for the Juniors

IT is surprising that British Cabinet Ministers since the war have remained, on the whole, an even-tempered lot. Britain's ministerial structure has failed to adjust itself smoothly to the expansion in the demands made upon it, and there have been five or six men in each postwar government who have been grossly over-worked. One remedy that has sometimes been proposed is that more responsibility should be devolved on junior ministers. This view has now received a powerful and experienced sponsor. Mr Herbert Morrison's new book on the British constitution is due to appear in the spring; and, in advance of publication, he has let it be known that it will contain what appears to be a junior ministers' charter. Mr Morrison believes that junior ministers are often "frustrated and embittered" when their senior ministers, or higher civil servants, exclude them from responsibility. He proposes that in every department certain duties should be specifically allocated to the junior minister and that he should be entitled to see and comment upon all except especially secret departmental papers.

The degree to which responsibility might be compartmentalised differs with each department and a limit would presumably be set by the constitutional necessity for the senior minister to remain answerable for all the work of his department. It is noticeable, however, that there is already a trend in the direction Mr Morrison suggests. The Board of Trade has a Minister of State (until recently a Secretary) responsible for overseas trade, the Treasury has an Economic Secretary, and the recent amalgamation of

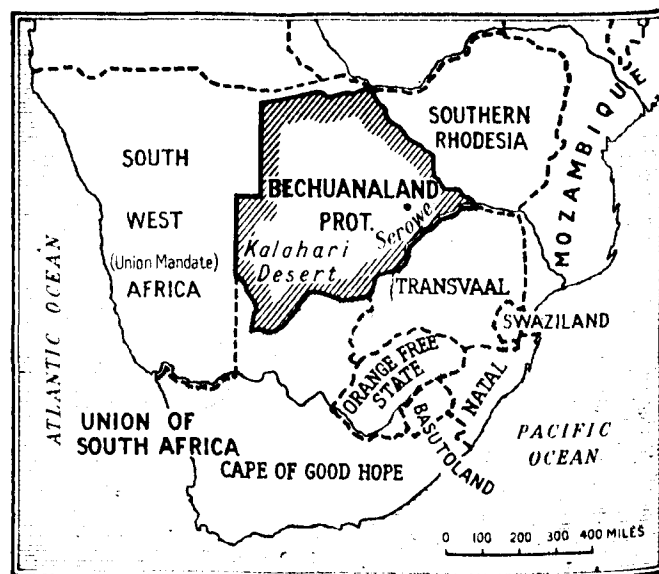
ministries has produced a Parliamentary Secretary for Civil Aviation. In addition, a private members' Bill in the present session proposes that there should be a specific Parliamentary Secretary for Fisheries in the Ministry of Agriculture and Fisheries.

Even where it might be impossible to give junior ministers explicit functions their standing in departments needs to be clarified. At the moment the responsibility they carry depends largely on the readiness of their senior ministers to delegate authority; in both the Labour and Conservative administrations this has varied greatly from one department—and from one man—to another. Moreover, junior ministers have a second cause for irritation, in addition to the frustration of which Mr Morrison writes. They not only deserve a higher status; they also need more pay.

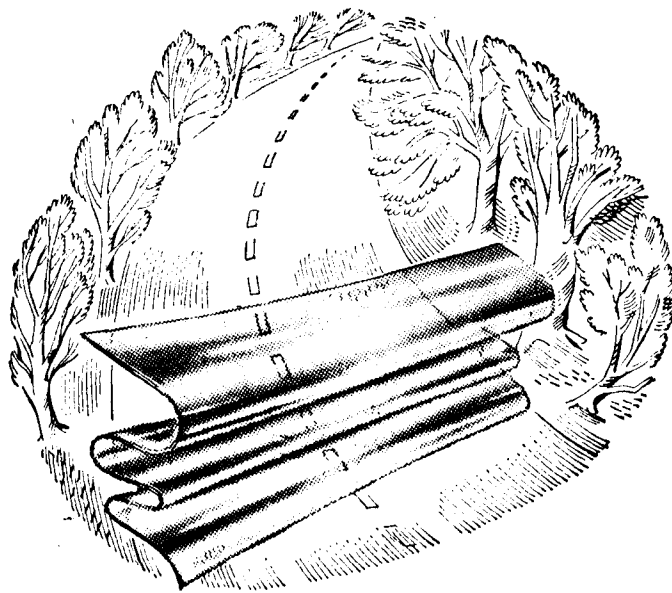
Kalahari Cattle

STRETCHING north from the Union of South Africa and covering the south-western part of the Protectorate of Bechuanaland, lies the great arid mass of the Kalahari desert—one of the last empty spaces in the world. If the recommendations of a mission headed by Mr Arthur Gaitskell, which reported last week, are put to the test, and if the tests succeed, this land will be transformed into one of the Commonwealth's largest ranching areas. The mission believes that such a scheme might add a million head to the world's cattle population and an extra forty or fifty thousand tons of meat a year to its food supplies.

This may be too optimistic an estimate. The difficulties are formidable. Supply routes and communications with markets are rudimentary and wasteful; tests have yet to be carried out for water supplies; most of the food for the



ranchers will have to be imported; and there is little spontaneous demand for a pioneering venture of this sort from the population of the protectorate itself. To develop such a territory means a hard life and little initial return for labour. But the mission felt that pasture conditions, at



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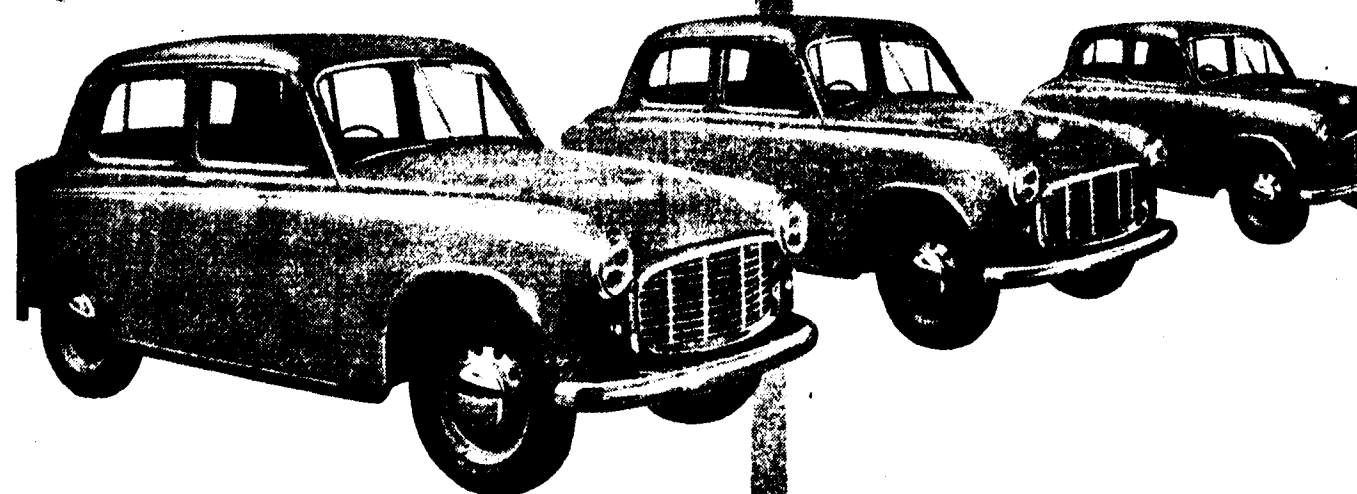
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least, could compare with many of the world's existing ranching areas. It puts forward a plan, and an initial pilot scheme, that offers scope for the pioneering spirit within a framework of communal development—a working partnership between the rancher, the protectorate government (which could supply the land), and the Colonial Development Corporation (which could supply much of the capital and management).

On further investigation—which is now in progress—all this may prove to be merely another groundnuts dream. But if the investigation proves favourable, it is politically important to take a chance and put the pilot scheme in hand. The mission recommends that community development should be based on terms of complete racial equality between the ranchers. "We believe," its authors say, "that this immense Kalahari land, happy in being without history . . . can be moulded into a steady and enduring model in miniature of African, Coloured and European partnership in the fullest sense of the word." This is a challenging statement. Bechuanaland lies between the Union and the new Federation of Rhodesia and Nyasaland. It lies accordingly between a state which has adopted the policy of *apartheid*, and one which is explicitly based on the principle of partnership between the races. In a crucial part of Africa, a body of independent experts believe, Britain may be given a chance to put the ideal of partnership to a working test.

Halt to the New Towns?

ONE would like to feel sure that the progress in the New Towns recorded in their annual reports for 1952-53* will be allowed to continue. The leading new towns—Crawley, Harlow and Hemel Hempstead—have at last gathered a certain momentum which, without official hindrance, could carry them forward at a comfortable rate, while several of the others are getting well under way. Harlow is now building at the rate of 2,000 houses a year and could continue to do so. Hemel Hempstead is not far behind with its houses and Crawley has made more progress with industrial development. There are still many frustrations: schools lag behind the numbers of children; grants for new playing fields have been withdrawn; and the rules about providing community centres have become more strict. But the corporations' real difficulty is that they feel uncertain of continued government backing and complain that they have insufficient financial independence.

There are signs that the lukewarm support that the Treasury has hitherto given to the new towns is already falling off. Some towns complain of serious delays in getting sanction for commercial development, although it is only through extensive commercial development that they can hope to earn much revenue. Peterlee has been refused permission to build standardised factories in advance of agreement with specific industrialists, although this is the surest and most profitable way of attracting industry. Other new towns are similarly hamstrung. Yet the new towns are precluded by the Act from raising loans independently of the Treasury

* Reports of the Development Corporations. HMSO. 15s.

and cannot, as Welwyn and Letchworth could in the old days, mortgage their property or float a private loan.

Thus, if the Treasury will not provide the money, the new towns must either stop operations or lease or sell land on terms which involve both loss of control and loss of profits in years to come. There may be a case for Treasury restrictions on public loans to the new towns; but, if so, they should be allowed to raise money by other means. Otherwise a Development Corporation becomes even less independent than a local authority and has more complicated problems of co-ordination.

Butter for Soviet Guns

THE principle underlying the Atlantic allies' policy toward east-west trade in the cold war is to deny the Communist world those resources that would strengthen its war potential and capacity for aggression. Hitherto it has been interpreted to mean the denial of items such as tanks, large ships, certain machine tools, copper and so on. The more temperate critics of this policy have come to accept these embargoes as reasonable, generally speaking, and as a necessary adjunct to the build-up of the North Atlantic Treaty Organisation, which is the military answer to the Communists' unrelenting emphasis on armaments. It has, however, usually been held that trade with the iron curtain countries in consumer goods is an entirely different matter and should, indeed, be encouraged.

The weakness in the argument is that the more Soviet resources are withheld from the production of food and consumer goods, the greater is their application to the production of heavy industrial goods and armaments. Only recently a series of declarations by Soviet and satellite leaders has strongly suggested that they have pushed neglect of food and consumer goods to dangerous limits and that the moment has come when morale throughout the area demands greater material encouragement. The immediate task of the Soviet leadership, therefore, is to increase popular consumption without any major reduction of their plans for further industrialisation and heavy arms expenditure.

At least in the short run, it seems that their own resources will not stretch far enough. In their most wishful moments they can hardly have hoped that the "Western Imperialist Fascists" would at this point step in and help to solve the problem. But this, in fact, seems to be a real possibility.

Some days ago Mr Stassen, director of the American Foreign Operations Administration, argued that increased east-west trade would help to promote democratic ideas behind the iron curtain. West Europe's recovery, he said, had reached a point at which trade would be economically as well as politically profitable. This is a point of view that has become fairly general since the Russians began to express such a lively interest in western consumer goods, and there is much to be said for it. But any political and economic advantages to be gained from such an increased flow of trade to the east ought, so long as the cold war continues, to be weighed very carefully against the political and strategic drawbacks of supplying goods that the Soviet regime urgently needs because of its past, and indeed present, excessive concentration on heavy industry.

The Future of Chiang Kai-Shek

THE recent visit of General Hull to Formosa to arrange for the transfer there of the Chinese anti-Communist prisoners who are being released in Korea has raised afresh the question of American relations with the Nationalist regime on the island. A succession of prominent persons, including Vice-President Nixon and Senator Knowland, have recently visited Taipeh, and the Nationalist Government has profited from the attention given by the United States to the Formosan problem. It seems, however, that supporters of the Eisenhower Administration differ a good deal over the policy to be pursued.

There are two main schools of thought. One, of which Senator Knowland continues to be the champion, still regards the Nationalists as capable of a come-back on the mainland of China, and opposes any withdrawal of recognition from their regime as the legal government of China; those who favour this policy regard the cold war as near enough to actual war to justify such defiance of accomplished facts. A second school (to which it is reported that Vice-President Nixon has adhered since his return from his Asian tour) believes that the Communists are too firmly established in Peking to be overthrown except through a major war, that it will be necessary to have some kind of political and economic relations with them, and that American policy will have to be modified.

If the second line of American thinking prevailed politically, it would bring American policy much nearer to the British attitude, which is insistent on the need to bring Communist China into Uno when the time is ripe. On Formosa, however, British policy still appears to be at odds with even the second school of American planning. For there is general agreement in Washington that containment, including the holding of Formosa, must be continued, whatever may be done about the recognition of Peking, whereas Britain has never been in any way committed to the defence of Formosa. If "realism" is to be the basis of British Far Eastern policy, it must be recognised that both the Communists' control of the Chinese mainland and their inability to control Formosa without war against America are parts of the same reality. Has the Foreign Office any ideas about an alternative refuge for Chiang and his soldiers?

Validating Charities

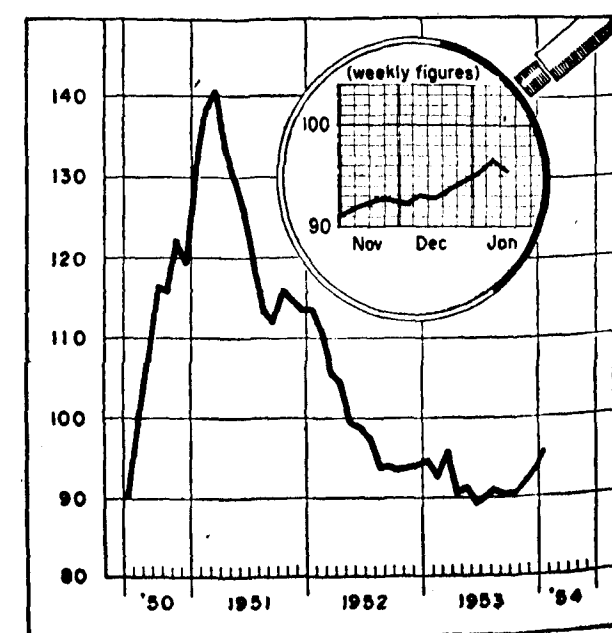
MORE than a year after the Nathan Committee published its report on charitable trusts, a Bill giving effect to one of its many recommendations has had its second reading in the House of Lords. The Bill is designed to safeguard the future of charitable trusts that might be declared invalid because of two income tax decisions given in 1949. In these two cases—the Oxford Group and Ellis cases—it was held that because the charities concerned had non-charitable as well as charitable objects, they could not claim exemption from income tax. The initiative to have these trusts declared

invalid thus came from the Commissioners of Inland Revenue. But they paved the way for other litigation by interested parties (disappointed heirs and so forth) to have similar trusts and bequests invalidated, and it was to protect these trusts, which include thousands of church trusts, that the Nathan Committee recommended legislation.

The new Bill applies only to trusts taking effect before December 16, 1952, when the Nathan Committee's report was published and the Government made a statement that the necessary legislation would be introduced. Those who drew up trust instruments to take effect after that date had ample warning not to include non-charitable objects among their trusts' purposes. For the earlier trusts the Bill provides that they are to be treated as charitable trusts and as having at all times been so. This means that any money spent on non-charitable purposes was properly spent and cannot be recovered. But after the Bill becomes law the trusts' objects are to be restricted to what is legally charitable.

The Bill covers trusts where the charitable and non-charitable purposes are mixed together: for instance, where money was left simply for the purposes of a parish and might, therefore, be spent on both charitable and non-charitable objects. But the Bill does not apply to trusts that had already been treated as invalid before December 16, 1952, unless they were so treated solely for income tax reasons. Limited protection is also provided for people's claims to property which is the subject of a trust that, but for the Bill, might be declared invalid. But no one can reclaim income tax already paid because a trust has been invalidated. Nor does the Bill validate charitable trusts deemed invalid because, for instance, their purposes are uncertain; the beneficiaries of Caleb Diplocks who have drawn up wills that were intended to mean one thing, but in fact meant another—or else nothing at all—get no help from this Bill.

COMMODITY PRICE INDICATOR
1952 = 100 MID-MONTH FIGURES



Delayed Data

THE appearance in January, 1954, of the Registrar-General's report on morbidity for 1949 and of the Survey of Domestic Food Consumption and Expenditure for 1951—to take only two recent examples among many—prompts a certain exasperated speculation about the usefulness of material so long delayed and the reasons for the delay itself. The most obvious candidate for stricture—Her Majesty's Stationery Office—is not, in fact, to blame; the enormously increased load which it has had to carry ever since the war years has been successfully distributed by means of long-term contracts with the commercial printing trade, and there has been no lengthening of the average period between receipt of material and publication. Certain particularly monumental problems—the Census of Distribution was an outstanding example—have called for special treatment; in that instance two-thirds of the cost of orthodox printing was saved by resort to other techniques and the delay involved in investigating and using these was compensated by the early issue of summary tables.

In general, the bottlenecks lie further back, in the departments themselves. Here publishing policy is autonomous and inevitably depends on the nature of the department's work and the views of its Minister. Delay may occur in collection, editing, or authorisation. Obviously, there is a limit to the amount of energy and resources which can be withheld from administration and devoted to the compiling of records and statistics; and the imputation of leisurely inefficiency is as unnecessary as it is facile. Nevertheless it might be wise for departments to reflect on the purposes which their publications are supposed to serve, reconsider their priorities, and stop biting off more than they can chew. Administrators themselves must have information, though that need not be in a form suitable for general circulation; complete historical records are highly desirable and need not be compiled under stop-press conditions; but as material for informed opinion on the current workings of a semi-planned social democracy, for the intelligent interpretation and criticism of policy, official reports lose nine-tenths of their value when they appear years after the period to which they relate. Food consumption and food prices are at present a burning political question, concerning which an inordinate amount of nonsense is talked. It is not much consolation to know that authoritative figures will be available for the rectification of that nonsense in—if all goes well—the winter of 1955-56.

Stalemate for Science Teachers

IT is clear that a great deal of log rolling is going to be necessary before the schools can recruit sufficient science teachers. Last week the Federation of British Industries held a conference of industrialists and educationists to discuss the present shortage. For the schools Dr Barton, the Headmaster of the City of London School, examined the deficiency, present and to come. For industry Dr Dunsheath emphasised that the factories are going to need more, not less, scientists in the near future. For

the universities, Sir Charles Morris, Vice-Chancellor of Leeds University and a member of the committee that recently reported on the shortage of science and mathematics teachers, poured very cold water on the suggestion that university science faculties might be expanded.

This is stalemate. It implies that the standards of teaching in the schools will continue to go down. Sir Charles suggested that schoolmastering should be made more attractive in terms of prestige and cash. It is, indeed, important that the rewards of science teachers should be more closely related to alternative occupations; but unless more scientists are trained this will merely spread the shortage somewhere else. In America—where school salaries are relatively even worse than in Britain—there is a chronic shortage of teachers, with its most critical manifestation in classes dealing with the birthrate bulge. But advanced teaching in science and mathematics, which would be within the province of English sixth forms, is normally studied only in college in America. The universities in this country would certainly—and rightly—oppose such a change in territorial boundaries. But this system has at least enabled the Americans to educate more and still more scientists and technologists without running into the British dilemma.

Britain and Russia

But now, how stands our position with regard to Russia? What are our inherent sympathies and what our natural and inevitable rivalries with her? In the first place, the two nations are radically different and unharmonious in race. . . . Individualism is our characteristic; the absence of it is theirs. We are essentially and strongly European; they are to a great degree Orientals and Asiatics. We are passionately fond of freedom; they are above all things submissive and loyal to established power. The free institutions which we so much prize have no charms for them—if we except a few enlightened and Europeanised nobles. There is no likelihood that they and we will ever be ranged side by side in the cause of constitutional rights. On the contrary, Russian ideas of politics are the very reverse of ours; Russian influence will always be exercised in an opposite direction to ours. Russia, by right of birth, principle, and creed, is the apostle and bulwark of European despotism: Great Britain, by inherent taste, by hereditary tradition, by the baptism of her past history, is the preacher and defender of European liberty. Our missions are discrepant and intrinsically hostile. The great battle between old and new ideas, between progress and stagnation, between high civilisation and aggressive barbarism, between power and freedom, between Might and Right, will see the Anglo-Saxon and the Slavonic Empires ranged in the front of the opposing hosts. France we may reasonably hope will be on our side; Austria is on the side of the Czar; the rest of Germany oscillates and wavers. Thus, however friendly and tranquil may be our political relations with Russia, the ideas, the predilections, the destinies of the two nations condemn them to a perpetual, though it may be a peaceful, antagonism. . . . Our rivalry with Russia, then, is intrinsic and enduring: that with France casual, fortuitous and passing. An alliance with Russia can rarely be more than partial, vigilant, and doubtful—based on false assumptions or on wilful blindness, and liable to constant menaces and interruptions.

The Economist

January 21, 1954

Letters to the Editor

German Illwill to Britain

SIR—Herr Friedensburg's letter should give much pleasure to those who wish to see Anglo-German relations poisoned. His list of British sins against Germany is wildly misleading and it is deplorable that a person of Mr Friedensburg's standing should give it currency. As I was an assistant to Mr Bevin during the period referred to, and also a soldier in the liberating armies, I hope I may be allowed to answer some of his points.

At the time of the Berlin blockade, Mr Friedensburg writes: "The Americans forced upon the hesitant British the decision to support the city." It is, however, common knowledge that the air lift was initiated by the British; it might almost be said to have been a personal decision of Mr Bevin's. It was the British who took the leading part in launching the air lift and British planes carried at least half the load during the early period until the United States was able to bring into play its vastly superior resources. To talk of the "hesitant British" is an unfounded and undeserved insult, as Herr Friedensburg—who was a Bürgermeister in Berlin at the time—should know. He next asserts that only the United States sent food to Germany after the war. But the United Kingdom contributed supplies to Western Germany to the value of over £200 million. This, moreover, was before the Marshall Plan, when Britain, having exhausted almost all its overseas assets during the war launched by Hitlerite Germany, was managing to survive only by means of the American Loan, which is now being fully repaid, principal and interest. Britain even introduced peace-time bread rationing so that grain could be sent to the German people—Nazis and anti-Nazis alike. Under the Bizonal Fusion Agreement which came into force in December, 1946, Britain provided 50 per cent of the support given by the two Anglo-Saxon powers to the two zones.

Herr Friedensburg asserts that Britain alone was responsible for dismantling. However, dismantling was first a quadripartite, and then a tripartite, policy. The Americans carried out considerable dismantling in their own zone and completed the programme much more quickly than was possible for the British in their zone. By far the greater part of the plant to be dismantled in accordance with the tripartite policy was situated in the British zone because it is the most industrialised part of Germany. The British often delayed action in order to consider German alternative proposals.

Herr Friedensburg complains that the German liberation movement was not properly recognised, and that Germany

was not treated as a liberated country. This again was Allied policy carried out by SHAEF under General Eisenhower, but Herr Friedensburg manages to blame Britain alone. Moreover, the German anti-Nazis like Herr Friedensburg, gallant as many of them were, were far too few and ineffective to justify treating Germany as a liberated country. I do not think any apology for the treatment of Western Germany by the Western Allies is required. When I recall my feelings, as a soldier with the liberating army, entering and surveying Belsen concentration camp, I am amazed by, and rejoice in, the charity shown to the German people by the Western Allies after the war.—Yours faithfully,

CHRISTOPHER MAYHEW
House of Commons

SIR—Herr Friedensburg may have read your Note of January 2nd with regret but many of us who have read his letter in your issue of January 16th will have felt considerable irritation. Whilst few would wish to underestimate the great help that the Americans have afforded to Western Germany, it would be as well for German politicians to remember that at the most critical period immediately after the end of hostilities, from May, 1945, until December 31, 1947, the British Government paid an amount exactly equal to that of the American Government in sending essential supplies to the German people—and this at a time when the British people were very strictly rationed.

Those of us who have had some contact with the German people recognise their great qualities and their capacity for hard work. At the same time it appears that German powers of self-deception are almost limitless; they seem incapable of looking at a problem without bending it to their own preconceived point of view, effectively preventing any understanding of a point of view other than their own. This failing has not only brought disaster to Germany but also to Europe. One has only to glance at the recent book of Dr Erhard, the Minister of Economics, entitled "Germany's Return to the World Market" to see how far it is possible to distort the facts in the interests of presenting a case—although in fairness it must be added that this book was published at the time of elections and almost certainly with those elections in view.

The credit that Dr Erhard himself takes for the great success of the export programme leads him to deny the enormous effort made on behalf of Western Germany by the three Western Allies. It leads him to hide the fact

that the whole basis of the present German export programme rests on the Trade and Payment agreements which were originally negotiated on a basis of equality with the various powers by the Western Allies and which provided a pattern for the Federal Government later to assume, thus making possible an expanding volume of trade.

The British, American and French members of the Western German Delegation sat down to negotiate these agreements on behalf of a vanquished people, whose leaders had plunged Europe into war. Yet a wholehearted effort was made, not least by the British members, to get the best possible terms to help the German people in defeat and a glance at the long list of agreements negotiated at that time reveals the extent of that assistance. The concessions granted to Western Germany by countries which had no reason to love Germany were made with the knowledge that they themselves were in many instances receiving help and, loyally supporting the lead given by the Western Allies, they played their part in helping to bring about a German recovery.

The other complaints in Herr Friedensburg's letter are so astonishingly spurious as to deceive no one, lest it be himself.—Yours faithfully,

M. R. L. ROBINSON
London, S.W.7

Doubts About America's Deflation

SIR—I have followed with interest your recent comments on the business outlook in the United States. One of the factors in the situation which gives me the most concern is the much greater decline in government expenditures than in taxes. The present tax and expenditure plans of the Administration lead me to estimate that the government cash deficit of \$6 billion for the calendar year 1953 will change to a cash surplus of \$1 or \$2 billion in the calendar year 1954. All of this swing of \$7 to \$8 billion will occur in the first half of the current calendar year. Because of the seasonal impact of tax collections, the swing from the second half of 1953 calendar to the first half of 1954 calendar will be, under present plans, from an \$8 billion cash deficit to a \$9.5 billion cash surplus.

The other thing that disturbs me is that there has been practically no net tax relief given thus far to wage earners in the lower brackets, say \$4,000 or under, because the increase in the Social Security withholding tax will have offset, or more than offset, the reduction in income tax. This seems to me to be bad economics as well as extremely bad politics. It is, of course, true that if signs of a more active recession appear in the next two or three months Congress will take steps to increase expenditures and reduce taxes; but politically this will not be of any help to the Administration—it will actually hurt it—and economically these measures might not make themselves felt in time to prevent

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in the industry, and their names are household words among foundrymen everywhere.

Brown & Polson Industrial Division produce 200,000 tons of starch products a year: more than 400 different products, which are helping more than 80 different industries to reduce production costs, to make better products, or even to make products that could not otherwise be made at all. We have spent more than 100 years in the building of this large and varied business. We have learnt a lot about the industrial uses of starch products, and our advice is freely at your disposal.

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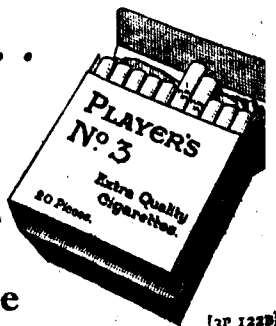


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Yes, it's remarkable how they manage to keep on shipping finer and finer wine year after year.

How do they do it?

Simply by taking infinite care and not trying to hurry the job. These lovely South African sherrys we are enjoying in this country now are the reward of the infinite patience displayed back through the years by those Wine Farmers at the Cape.

You seem to know a great deal about it!

You remember I went to South Africa last year. I happened to meet a man who took me round the wonderful Wineries there where millions of gallons were being matured for the British market.

How long do they mature them?

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 Sherrys I've ever tasted.

Well, keep on drinking the best South African Sherrys and you will find the quality will astonish you."

**SOUTH AFRICAN WINE FARMERS
ASSOCIATION
(LONDON) LIMITED**



the decline from deepening in this coming six months.

It looks as if the Administration is going to rely very heavily on an easy money policy and this may help security prices; but I doubt whether it will be a deciding factor in stimulating the economy otherwise.—Yours faithfully,

BANKER

New York

Civilians Defenceless

SIR—The article in your issue of January 9th includes separately two statements that ought to be read together. You say that it is now clear that peacetime recruitment will never be sufficient, but you add that in wartime there would be recruits in plenty, and that it would take a very short time to train them.

By contrast, the basic training offered in peacetime a few years ago (and presumably still being offered) was so long drawn out as to suggest that the volunteer's time was valued at nothing by those who exhorted him to sacrifice it. I have seen volunteers who joined full of zeal fade out in disgust at their most precious possession being squandered in a training programme that contrasted so wretchedly with the urgency of the national appeal to which they had responded. Will the people who are wanted most, especially those who already have a store of basic knowledge gathered from practical experience in the last war, be attracted and retained by a tempo that has made it difficult for even the novices to maintain their interest?—Yours faithfully,

O. M. MEARES

Atlantic Assembly

SIR—Mr Barton, in your issue of January 9th, quotes the report of the International Press Institute that 82 per cent of British newspaper readers were unable to answer the question: "What is Nato?"

It was to seek a remedy for this urgent difficulty that the British Atlantic Committee was formed last year, with the support of the TUC, FBI, NUT, the Friends of Atlantic Union, the English-Speaking Union, the Association of Local Education Authorities and a number of other bodies competent to assist as channels for the dissemination of information, especially in schools and the services. The committee have already circulated to teachers its own bibliography of Nato publications, and with a view to encouraging the formation of similar committees in all Nato countries, the Copenhagen conference was organised last August. It is not quite correct to state that this conference "caused hardly a ripple of comment in the British Press," as there was some good coverage, especially of General Gruenther's address; nevertheless, it remains broadly true that the intentions of the committee are regrettably limited by lack of public support and above all of financial support.—Yours faithfully,

DAVID V. KELLY

British Atlantic Committee

Books & Publications

The Grand Alliance

AMERICA, BRITAIN AND RUSSIA:
Their Co-operation and Conflict, 1941-46.
By W. H. McNeill.
Oxford University Press. 838 pages. 63s.

THOSE who believe in the natural virtue and sociability of men have never been at a loss to identify the institutions which corrupt and set them against one another. What Monarchy and the Church were in the eyes of eighteenth century republicans, what capitalism still is to the devout of the Marxist congregation, the nation state is well on the way to becoming for disheartened liberals.

The vision of international co-operation has tormented the imagination of this century to a degree that startles the historian accustomed to the political assumptions of the world before 1914. Practical co-operation between nations, as distinct from promises and hopes, has never been carried so far as in the Grand Alliance which won the Second World War. In the history of that alliance there is available evidence unequalled for the light which it throws upon the possibilities and limitations of common action between sovereign states. The true character of this remarkable experiment, the lessons to be drawn from it, the arguments which it provides for the rival advocates of international or supranational organisation have not yet been fully recognised. War is the great mother of political and social innovation; yet most people are reluctant to look to the history of the war years for a better understanding of postwar problems. Even when this reluctance is overcome, the bewildered enquirer is likely to find the evidence so scattered and often contradictory as to confuse him. In deciding to commission a history of the Grand Alliance, therefore, Chatham House have made one of the most valuable contributions possible to the study of recent history and of international relations. They are to be congratulated on finding in Mr McNeill, Assistant Professor of History at Chicago, an historian whose powers are fully equal to the great events he surveys.

His book is a *tour de force*, remarkable for the author's easy mastery not only of his sources but of the complexities of the pattern he unfolds. For the first time we are given a synoptic view of the interplay of strategy, politics and economics over the whole scene, in the Pacific as well as in the European war. Within this framework, which is never allowed to sag or slip, Mr McNeill finds a place for every one of the thousand odd problems that the Allied leaders had to face, from the recognition of General de

Gaulle and the Warsaw rising, to the relations of Chiang Kai-shek with the Chinese Communists and the claim of the United States Navy to run the war in the Pacific as its own private affair. His judgment is dispassionate, his regard for the evidence scrupulous; yet his writing is never colourless. He has an eye for the clash of personalities behind formal arrangements and is frank as well as fair in tracing the crosscurrents of suspicion, and professional as well as national rivalry.

As Mr McNeill fully recognises, the evidence on the Russian side is meagre, yet he has wisely made the subject of his study tripartite and not simply Anglo-American co-operation. Equally wise was the decision to carry his account beyond the end of the war into the period when relations between the great powers finally broke down. In this way he establishes that continuity between wartime and postwar international politics which is often neglected, and underlines the extent to which almost every one of contemporary problems has its roots in the years before 1945.

Collingwood once said that the most difficult part of the historian's task is to hit on the right questions to ask. At each main stage in the relations between the three allies, Mr McNeill halts his narrative to ask what were the different objectives which Stalin, Roosevelt and Churchill had in mind. By doing this, by patiently exploring the genuine conflicts between national preconceptions, he frequently succeeds in stripping away the arbitrary character given to other people's actions in more partisan accounts. From page to page the reader alternates between despair at the obstinate diversity of national interests and admiration for the handful of men who laboured to create sufficient common purpose to hold the alliance together.

Mr McNeill's own conclusion is unobtrusive but irresistible.

It is a sad commentary on the intelligence and goodwill of mankind that no alliance of independent states has ever survived decisive victory; and that successful confederations have drawn their initial strength from the existence of a common enemy. Without an external threat to inspire fear, it seems that positive aims, no matter how good in themselves, will not suffice to bind together men whose loyalty is traditionally dispersed among different governmental units.

What further conclusion is to be drawn from this sombre verdict is a matter for debate. The fatal mistake is to underestimate the difficulties that lie in

the way of international co-operation, to suppose, as Roosevelt did, that they can be overcome by goodwill alone.

Of the three men who play so great a role in these pages, in the end it is Churchill who emerges as the wisest. For if Roosevelt was the victim of too easy an optimism, Stalin was trapped by his own suspicions. Churchill gauged far better than Roosevelt the workings of Stalin's mind; yet he had the imagination, which Stalin lacked, to perceive the force and the opportunity represented by Roosevelt's idealism. The tragedy of Churchill's situation was that he did not possess the power to prevent mistakes whose consequences he already foresaw.

This, together with many other judgments, may have to be revised in the course of time, and much new evidence will certainly become available; but it is unlikely that the intellectual grasp or quality of judgment of this pioneer work will soon be bettered.

Battle for Crete

CRETE: *Official History of New Zealand in the Second World War, 1939-45.*

By D. M. Davin.

Oxford University Press. 647 pages. 30s.

THE battle for Crete in 1941 was the first large-scale airborne assault in history, and was indeed the only attack of this kind directed against the British during the war. It has received less than its share of attention. It was probably the only major battle of the war which was not witnessed by war correspondents (for some unexplained reason they were all shipped off to Cairo before the fighting began) and the records are from the nature of the fighting and of the evacuation, scanty and often conflicting. The New Zealand War History authorities have now, however, produced an admirable account of the whole campaign, in which New Zealand's forces played a crucial role. The book is not only exceptionally well written—it is by a New Zealand novelist who was himself a platoon commander in the battle—but is also a first-class piece of military scholarship.

The campaign, fought out in the brilliance of the Mediterranean spring amid rocks and olive groves, was as dramatic as it was spectacular. At first everything seemed stacked against the defenders. No adequate defence preparations had been made in the preceding months; the bulk of the troops had been hastily evacuated from Greece and had not even a minimum scale of arms and equipment; there was little artillery and only a handful of tanks. The *Luftwaffe* had complete domination of the air. The British supply problems were rendered acute because the only ports were on the northern shore, facing the enemy aerodromes in Greece and Rhodes. Yet the Germans, by a massive blunder of reconnaissance, threw away much of this advantage. They dropped their main body of parachutists and

glider troops into the very areas most strongly held by British forces. They also launched their seaborne invasion at night, the one time when the Royal Navy was free from interference by enemy bombers—and so ensured the destruction of their main armada. All turned on the struggle for the main airfield at Maleme. Only after intense fighting there did the attackers gain a grip which they were able to use to bring in the reinforcements that turned the scale.

Could Maleme have been held? Had it been held, would the island have been saved? These are the two main questions which any historian of the Crete campaign must seek to answer. Mr Davin comes to the conclusion that despite the degree to which the odds were tipped against the New Zealand 5th Brigade, which was responsible for the defence of Maleme, the airfield might have been held had the right tactical decisions been taken once the battle was joined. He holds this view despite the lack of preparations and the administrative blunders of the British Higher Command. The two I tanks, for instance, which could have mounted a decisive counter-attack by day, were found to be worthless when the moment came. In one the ammunition did not fit; in the other the turret jammed. Even so, Mr Davin argues, had the battalion commander not decided on the first night that he would have to withdraw, and had the brigadier mounted a counter-attack more energetically, the parachutists might have been wiped out before dawn brought their reinforcements.

But would this have determined the outcome of the battle? Even if Maleme had been held, would that have saved the island? Mr Davin's answer is that it might have done so. Hitler, with the Russian campaign looming up, might have cut his losses and called off the attack. But surely the other factors, which this book also lists, would have been bound to swing the German decision the other way. Surely Hitler's instinct would have been to shift the main point of the attack on the second day to one of the other two airfields, at Retimo and Heraklion, the more so because the seaborne armada was at that time still unchallenged, and the enemy presumably had no reason to believe it would be sunk. All the Germans had to do, moreover, was to prolong the pressure until the British supply system, exposed throughout to air attack, caved in. Hitler, who had swept aside every obstacle in his path up to that time, was not likely to accept a rebuff, of which British propaganda could have made much, within a few weeks of beginning the march against Russia.

As events turned out, Crete proved to be in one very real sense a defeat for the Germans. We lost the island, but we inflicted such heavy casualties on the German forces that Hitler was never willing again to launch a major airborne operation. Costly and futile though the resistance in Crete may have seemed to many at the time, it may well have saved Malta—and with Malta, North Africa.

Conventional History

A HISTORY OF FRANCE.

By Lucien Romier. Translated and completed by A. L. Rowse.

Macmillan. 487 pages. 30s.

LUCIEN ROMIER achieved distinction as an historian by his searching and original investigation into the causes of the French Wars of Religion. Stressing the inadequacy of the biographical approach, he gave a brilliantly successful analysis of the strains in the French social structure, combined with a detailed and perceptive study of conflicting ideologies and political manoeuvres. Between the wars M. Romier devoted himself to political journalism in *Figaro*; but before his death he returned to history and wrote this general account of the development of France. It is not surprising that this attracted the interest of Mr Rowse, also a scholar in sixteenth century studies and the author of a sketch of the history of his own country.

It is disappointing to discover that M. Romier has only a traditional and conventional story to tell. The strength of his earlier work lay in the combination of an analysis of society with a close study of politics, revealing the hiatus between intentions and results. But here he traces the course of French history largely in terms of the personalities and policies of the kings, sandwiching in brief descriptions of the social background and of intellectual and artistic achievements. Two themes in particular have interested him: the growth of internal order under kings of whom the greatest were St. Louis and Louis XIV, and the recurrent strains imposed by external dangers and internal privileges. Within this framework M. Romier has many shrewd and sensible observations to make. He describes with equal skill the flowering of French culture in the time of St. Louis and in that of Louis XIV. He is firm but just on the legal chicanery of Philip the Fair, the corruption of Mazarin and the financial speculations of the early eighteenth century.

Yet deft and competent as the book is, it has none of the freshness and originality of M. Romier's earlier work on the sixteenth century. Indeed the account given here of that period is perhaps the duller part of the book, as if the author had been unable to fit his own researches into the conventional pattern. By concentrating on the kings he has not left enough space for society. The problems of rural property are almost ignored, and the long and important history of the sale of offices, at one time a source of political strength and later of fatal weakness to the regime, does not receive sufficient emphasis.

In his translation Mr Rowse preserves the vigour but not the distinction of the original. As published in France the work ended at 1789. Mr Rowse has brought the story down to 1944 by using some material of the author's and by adding some chapters of his own. But the unity of the original would have been better served had this version also closed with the fall of the *Ancien Régime*.

Old View of West Africa

THE NEW WEST AFRICA.

Edited by Basil Davidson and Adenekan Ademola.

Allen and Unwin. 181 pages. 15s.

WITH an introduction by Mr Ritchie Calder and a conclusion by Mr Basil Davidson, this disappointing book consists of four essays by African and British writers on the past, present and future of British West Africa. Mr Okafor starts off with a rapid sketch of the historical background, stressing all the achievements and none of the failures of West African societies before the European penetration. Then follows a chapter by Mr Thomas Hodgkin—the best—consisting of a thoughtful analysis of the origins and development of present nationalist movements; one's only criticism is that he underestates the emotionalism of colour in these movements and consequently overrates their purposefulness. The fourth essay is by Mr F. le Gros Clark, on the technical conditions of economic progress in West Africa.

This, however, is quite overshadowed by the third essay, by Mr Henry Collins on economic problems, which contains the main thesis of the book. This thesis has already been elaborated by Mr George Padmore in "Britain's Third Empire," and also, more succinctly, by Mr Awolowo, the West African Action Group leader, when he wrote that Britain is striving to "exchange political dependence for an economic stranglehold." Mr Collins says that

While the older economic relationship is preserved, a new system of exploitation has been superimposed in which the State itself, through the mechanism of the Marketing Boards and the sterling area, takes a hand in the profitable game of milking the colonies.

Britain should "cease wasting enormous resources unproductively on armaments and begin to produce, instead, the equipment with which to pay off the accumulated sterling balances of the colonies." Again, "The Marketing Boards merely constitute the mechanism through which some of the burden of rearmament is shifted on to the backs of the West African peoples." And Mr Basil Davidson himself seems to subscribe to this view, concluding that Britain cannot afford to liberate her colonies while wedded "with the greatest capitalist nation of all, with the United States of America."

This book is not the new West Africa of its title. It is merely the old, old view of West Africa as the victim of capitalism—a view becoming shoddier every day.

Rebellion and Moderation

THE REBEL.

By Albert Camus.

Hamish Hamilton. 273 pages. 18s.

POSTWAR France with its disbelieving, disillusioned youth, was a fertile ground for philosophies of despair. Albert Camus, the distinguished novelist, playwright and thinker, became one of its major prophets. In a previous book

—"The Myth of Sisyphus"—M. Camus postulated man's inability to come to terms with the universe, but found consolation in man's dignity in his Sisyphean task. This was sufficient to reject suicide as a way out, but not enough to provide a code of conduct in a world where man is permanently faced with mass murder. Therefore, M. Camus has now attempted to seek the roots, scope and limits of man's rebellion through an analysis of two centuries of human revolt.

In such a tour of the historical horizon much is naturally superficial and oversimplified. Yet, as was to be expected from M. Camus, there is also much original thought, particularly on literary revolt, and many moving passages, although the mixture of formal logic and brilliant rhetoric with which it is written loses much on crossing the Channel. It seems, however, that rhetoric in this case is not the result of some Gallic failing but springs from the inherent weakness of M. Camus's approach—an attempt to explain rebellion outside its social context, in the rarefied air of pure thought. This becomes most apparent when the crucial issue is tackled: the right to kill; the problem of ends and means. M. Camus castigates political murder (indeed the mainspring of this book was probably one rebel's horror at the number of corpses with which the Stalinist road to a "better society" was strewn), but tries to find a justification for his favourites—the Russian terrorists of fifty years ago—in purely subjective terms: they knew the value of human life and were willing to pay with their own. The defendants would have rejected their lawyer's pleading. Political assassination can seek justification, if any, only in its end, in Marat's cry: "I want to cut off a few heads to save a great number."

Having rejected the religious or historical tests, M. Camus reaches the end of his journey without an alternative yardstick. He wants both to preserve the spirit of rebellion and to mark its frontiers. Rebellion and moderation make difficult bed-fellows and M. Camus offers nothing to bind them together. He, therefore, artificially introduces such concepts as the "Mediterranean heritage," as if the southern sun provided a magic solution. Unable to accept society as it stands, unwilling to accept inhuman methods of change, M. Camus the thinker avoids the issue by leaving the stage to the *littérateur* and to the language of poetry.

Industrial Case History

WHAT NOBODY TOLD THE FOREMAN.

By Max Cohen.

Spalding and Levy. 218 pages. 8s. 6d.

THIS is a depressing though entertaining little book, a near case history of industrial bloody-mindedness. One can hardly believe that its author's experiences, first as a cabinet maker and then as a carpenter, are entirely typical; indeed, it is hard to credit that in scores of different jobs held over the best part of a working lifetime any one individual should have had such unmitigatedly

awful luck. Every boss for whom Mr Cohen worked was a bully, a blockhead, a swindler, or all three together. Every foreman was a moronic slavedriver. His picture of normal economic life shows a jungle at once rank and feeble; crass inefficiency, purblind greed, total lack of scruple tempered by almost total lack of initiative. His account of wartime emergency work does nothing to alter that picture; while the army turns out to have been even worse, as sheer crackpot lunacy is worse than mere feeble-mindedness. The only efficiently performed job with which Mr Cohen was associated, it seems, during the whole of his career was the construction of the Admiralty Redoubt; his comment on this takes the form, characteristically, of a sneer at the courage of the War Cabinet.

And yet this long-drawn-out grizzle, this effusion of ill-nature—none the better for being punctuated with such crashingly silly generalisations about employment policy, militarism, Russia, and the morality of the "monied classes" as are commonly found flowering along the Party line—has both the merit of a certain dry humour and narrative skill and the diagnostic usefulness of an unmistakable fever-rash. Here is a type; here is an outlook; here, however selected and highly coloured, are the experiences producing that type and that outlook—which the British economy, whether socialist or capitalist, certainly cannot afford. It is high time that somebody told the foreman; and also, possibly, the Board of Directors and the British Productivity Council.



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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.

Fresh Start for Farmers?

Washington, D.C.

THE President's new farm policy is based on two convictions, that the farmer's decisions on planting ought to be somewhat affected by the laws of supply and demand, and that food must not be destroyed. While the second principle receives general assent, the first is strangely unpalatable to many of the foremost advocates of free enterprise, and both are bedevilled by the existence, in the bins, cribs and even the caves and ships, of the Commodity Credit Corporation, of enormous stocks of many commodities. This year's wheat and cotton harvests, for example, could be utterly wiped out without domestic consumers noticing the difference. While 250 million pounds of butter are slowly deteriorating in store in order to keep up the price, American families are getting used to eating 29-cent margarine instead.

All this is the result of setting out to remove major fluctuations from farm prices by combining high price supports and controls on production, and of then not enforcing the controls. Drastic restrictions on production are rejected by the President, who bases his own scheme on the assumption that the problem is not one of general overproduction, but simply of a lack of balance between various crops created by the particular system of supporting farm prices that is in force.

Whereas with some commodities the Secretary of Agriculture is able to vary the guaranteed price according to his estimate of supply, he has been obliged to support wheat, cotton, maize, peanuts, rice and tobacco at 90 per cent of parity every year. Parity in this context reflects the belief for which farmers have obtained general acceptance that the prices they got forty years ago were "fair" in relation to prices they had to pay then and that the same order of fairness statistically expressed in a parity price formula is their due today.

Yet even with these artificial aids it has not been possible to hold farm prices steady; many small farmers cannot qualify for support loans and everywhere storage space is running out. Moreover, the parity formula still in use for wheat, cotton, maize and peanuts takes no account of changes in price relationships between different farm products since 1910-14. It ignores alike the coming of tractors and the smaller part that cereals play in people's diet when standards of living are rising.

The basic changes that Mr Eisenhower and his advisers wish to make will occur automatically if the present Agricultural Acts, passed in 1948 and 1949, are allowed to come into effect. In January, 1955, all commodities are due to go under a flexible system, under which support prices

will vary from year to year between 75 and 90 per cent of parity according to the supply position. From January, 1956, the parity formula for all crops will be based on the average level of farm prices in the immediately preceding ten years instead of that prevailing from 1910 to 1914. This formula favours meat animals and dairy products but should discourage the overflowing granary. If it were extended all at once to grains, it would mean a 16 per cent drop in the support price for wheat and a fall of 11 per cent in that for maize.

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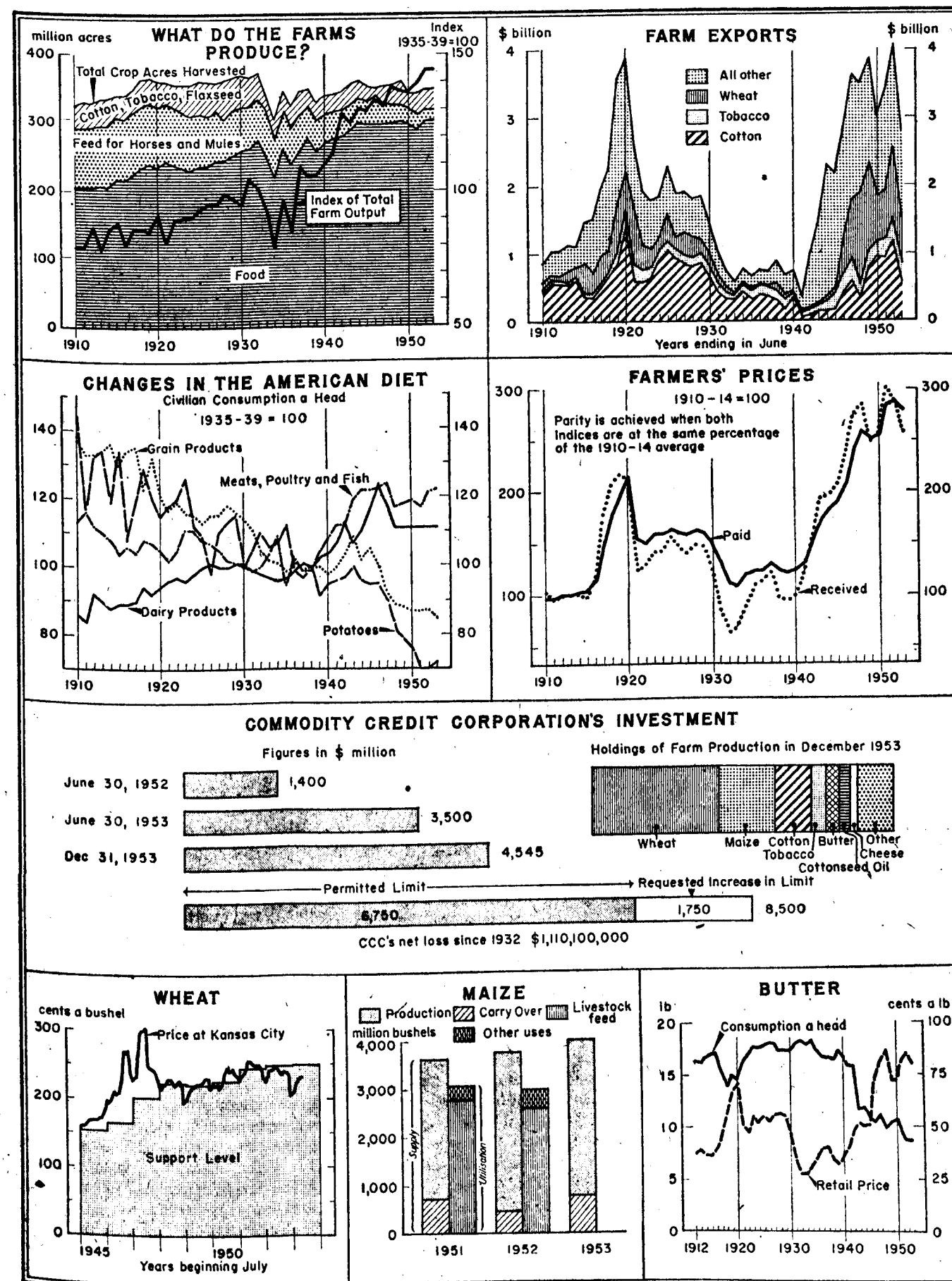
The chief contribution, therefore, that Congress could make to the President's proposal is to let well alone where the main provisions of the present law are concerned. There are, however, some amendments and innovations that will require legislation. The \$6.75 billion which the Commodity Credit Corporation can use to support farm prices will be nearly exhausted by June, and an increase in the corporation's borrowing authority is needed.

Mr Eisenhower also wants the change to the new parity formula to be carried out by stages, so that there will not be a drop of more than 5 per cent in any one year. And he is to ask for some variations of treatment between commodities. Maize, for instance, never sat very happily within the old system because it is itself a cost of production to farmers. Congress is therefore asked to permit its price to slide more rapidly down the scale than will be allowed for other crops.

The most original feature of the scheme is designed to ensure that the change to a flexible system shall not be too painful. Two and a half billion dollars' worth of the existing surplus is to be renamed an emergency reserve and will therefore not be counted as part of the supply when support prices are calculated next year. Otherwise, without a doubt, prices would have celebrated their new freedom by diving down the whole way to 75 per cent of parity. The President has asked for broad discretionary authority to manage these reserves, but with safeguards to prevent their disturbing normal trade.

In particular, he wants to be allowed to use a billion dollars' worth of surplus food over the next three years to strengthen the economies of friendly countries. Plans are also being aired for using part of the surplus to pay for services in countries where there are American bases. One policy that would have been highly displeasing to friendly countries has been firmly rejected. There is to

The Agricultural Problem



be no two-price system for wheat, something which would have incurred accusations of dumping.

Once the President had announced his farm programme the congratulations he received from his followers for having given a lead were rapidly succeeded by signs of a marked reluctance to follow. The House Committee on Agriculture has always been a pillar of rigid support prices. In the Senate, where committee hearings started this week on the President's message, Democrats and Republicans alike challenged its central assumption that the balance of production will be righted by the farmer himself if he is not shielded totally from the arguments of the market.

Mr Benson, the Secretary of Agriculture, was forced to admit under close questioning that, apart from hogs, there are no alternative products, not themselves already in surplus, to which wheat, maize and cotton farmers can turn. Many Senators argue that production will go up instead of down if prices fall, because farmers will be trying desperately to maintain their incomes. Mr Benson places much reliance on recapturing overseas markets by a dynamic export drive made possible by lower prices. But most of the committee members, both Democrats and Republicans, believe that high, rigid supports alone can sustain farm income and that the scheme has never been given a chance because the previous Administration did not apply production controls strictly.

This means that Bills to extend the present rigid system for at least another year, and probably longer, will be introduced both in the House and Senate and almost certainly carried. In this case Mr Eisenhower will be faced with the question of whether to veto them and allow his own ideas to come into force by default of fresh legislation. This would mean abandoning the various detailed amendments to the Acts of 1948 and 1949 that he favours, including those designed to make the transition less painful. Whatever happens, both the Secretary of Agriculture and the President deserve more credit than they will probably get from their own party for having attempted to apply on the farm the Republican election pledge to rely more on private initiative and less on government control.

American Notes

Bricker's Ball and Chain

MR EISENHOWER has publicly refused to compromise, in any vital respect, with Senator Bricker's attack upon the President's treaty-making powers, although it has the nominal support of most of the Republican and some of the Democratic members of the Senate. Negotiations are still going on between the Senator, the Attorney-General and the Republican Congressional leaders who are anxious to avoid a show-down, but the probability is that the first test of the President's determination to lead his party will come in the next fortnight, and on an issue quite outside his own lengthy programme of legislation. Should Mr Bricker's amendment to the Constitution pass

the Senate by the necessary two-thirds majority, it would still have to be approved by the House and by three-quarters of the states. Both are likely to follow the Senate's lead.

Senator Bricker's supporters, who include many bar associations and patriotic and ex-servicemen's organisations, and others disturbed by the trend to internationalism, fear that treaties, which under the Constitution are superior to state law, may be used, given the combination of an unscrupulous Administration and an unwary Senate, to introduce radical social doctrines and undermine the rights

"I'll Compromise And Make The Chain A Little Longer"



Herblock in the Washington Post

of the states and of individual citizens, both of which are guaranteed by the Constitution. The resolution therefore provides that treaties which conflict with the Constitution shall be invalid, and that they may not affect internal law unless they are implemented by legislation which would have been valid in the absence of a treaty—the notorious "which" clause. Not only would this introduce the House of Representatives into the treaty-making process, but also it would mean that, when treaties touched matters reserved to the states, the consent of state legislatures would have to be obtained.

The President showed a heartening grasp of the danger and how it could be dramatised when he insisted that he could not represent 48 individual sovereignties abroad. The amendment would also give Congress the power to supervise executive agreements, which do not even require the assent of two-thirds of the Senators present, as treaties do. This is a sore point, much exacerbated by the belief of many Congressmen that, unlike Mr Roosevelt, they would not have been hoodwinked at Yalta. However, if as many as 10,000 executive agreements were needed in connection with the North Atlantic Treaty, this provision

might prove as paralysing to an already cumbersome system of conducting foreign affairs as the "which" clause.

Any surrender on these two provisions, in the interests of cementing Republican unity, would make future Administrations prisoners of obstructive forces and the failure of Mr Brownell's efforts at compromise has thus not been wholly unwelcome. But the Administration has been very slow in making its position clear and rallying public support. Sixty-three Senators, however lukewarm they may have become, are publicly committed to Senator Bricker and expect the Administration either to save their faces by sponsoring some innocuous substitute, or to reward them for their pains if they desert him.

Ike's New Deal Benefits

ANY fears that a Republican Administration would pull down or even seriously alter the New Deal's structure of social security evaporated with the third of the President's messages to Congress. The federal old age and survivors' insurance scheme is based upon the idea that benefits should be related to past earnings and that the whole plan should be paid for by taxes on workers and their employers and, eventually, by interest on the reserves built up. The President proposes to fill up the gaps, remedy injustices and take account of the rising cost of living, but the system is to remain basically unchanged. This has delighted the trade unions, who feared that the Administration might be converted to the view of the Chamber of Commerce that a low, uniform pension for all over 65, directly related to current tax receipts, would be simpler to administer and a discouragement to extravagance. Under the President's proposals, an additional 10 million workers would be brought into the system, making coverage almost universal; benefits would be increased by from \$5 to \$10 a month for those who have already retired and by more for those who retire in the future; the disabled and those who are prevented from working by long illnesses would not be penalised as they are now; and old people would be allowed to earn up to \$1,000 a year without sacrificing any of their benefits. More money will flow into the system, if Congress agrees, both because more workers will be included and because the tax-base, the income on which employees and their employers pay the social security levy, would be raised from \$3,600 a year to \$4,200. Earnings have risen so much since the base was last enlarged that at the present limit only 40 per cent of all male workers pay tax on their whole income. The new base would mean that employees earning \$4,200 or over would pay \$84 a year instead of \$72, and this may make some Congressmen hesitate. But a programme which has the support both of the Democrats and of Mr Reed, the Republican chairman of the House Ways and Means Committee, is clearly considered a political winner in election year and is unlikely to encounter any serious obstacle. The Chamber of Commerce will have to draw what comfort it can from the proposal that federal grants to the states for public assistance should be related to income per head, rather than be governed, as they are now up to a very generous level, by the aid which a state chooses to give to its indigent old. This should instil more responsibility in certain state governments and help the federal government to estimate its liability more accurately.

Welfare Without the State

IN the field of medical care, unlike that of social security, the Administration has had to blaze its own trail, for opposition to the "socialised medicine" favoured by the Truman Administration was so intense that nothing could be done to ease the ever-growing burden of medical costs. Even after the President's message, the trail is not very distinct, but the direction it will take is clear. "Freedom, consent and individual responsibility are fundamental to the American system," he observes, and recommends that Americans wishing to assure themselves of good medical care should join the voluntary, non-profit health insurance plans which have sprung up. Private insurance of hospital costs, which is the most common, pays for 40 per cent of all the private hospital care.

The defect of many of these plans, apart from their cost, is restriction of benefits. Even with insurance a serious illness may be a financial catastrophe. To enable these plans to offer wider coverage to more families, the President proposes a re-insurance scheme, with a capital of \$25 million, to meet the additional risks. Exactly what the Administration has in mind will not be known until its draft Bill is sent to Congress. But Representative Wolverton has already introduced Bills along similar lines. These would enable private schemes which had taken out re-insurance to collect two-thirds of the medical and hospital bills in excess of \$1,000 incurred by any single subscriber. Fees would have to be adapted to the subscriber's income.

The American Medical Association, which conducted such a virulent and successful campaign against government health insurance, has no comment as yet. Neither have the private insurance organisations, which may have strong views about the adequacy of a \$25 million re-insurance fund when private medical costs are put at over \$9 billion a year, and which may also suspect the scheme as the thin end of federal control.

The President's other proposals concern the need for more federal research into cancer, heart disease and other serious afflictions; more money for rehabilitation of the disabled; and broadening the terms of the Act under which the federal government supplies funds for hospital construction. Mr Eisenhower would like to use federal money to encourage the building, as well, of health centres, nursing and convalescent homes, which would be less costly than fully equipped hospitals and would relieve the pressure on hospital beds.

Psychological Wars on Wheels

THE General Motors Corporation's programme for spending one billion dollars in the next two years on expanding its capacity is publicised as a declaration of faith in continuing prosperity, to meet the needs of a constantly growing market and to provide more jobs for the trade unionists who are the most outspoken prophets of a coming slump. But the corporation's psychological warfare is directed not only against fears of an economic depression but against the ambitions of its competitors. In the auto-

mobile field, even the largest of these, the Ford Company, is a David to the General Motors Goliath—in spirit as well as in size. Mr Henry Ford has already announced that he expects his models to displace the GM Chevrolets this year as the best sellers in the cheap car field and that his company will not be among those that will be producing below capacity in 1954. So far, although cutbacks are becoming general in the industry, he has kept his word.

The Ford Company, however, as a private concern, has an advantage over its competitors in that it need not give so much consideration as they to the effects of cut-throat competition on dividend payments and share values. In 1953, while the General Motors Corporation was responsible for 45.6 per cent of the year's huge output of 6.1 million automobiles, the Ford Company, with 25 per cent, increased its lead over the Chrysler Corporation, which produced only 20 per cent of the new cars compared with 22 per cent in 1952. The "big three's" share of the total automobile market rose to over 91 per cent and they were already driving smaller companies to the wall, even though competition only became fierce in the second half of the year. Last summer's merger of the two smallest independent companies, the Kaiser and Willys Corporations, has just been followed by a similar arrangement between the Hudson and Nash Companies. If this is approved by the stockholders, the new American Motors Corporation will be, by a small margin over the Studebaker company, the fourth largest in the industry; but 1953's combined output for the two merging companies was only 212,000 cars.

The automobile dealers, restless at the way cars are piling up in their showrooms, are also waging psychological war, against the manufacturers. Dealers find themselves squeezed between the low prices they can get for used cars and the high allowances they must make for old models traded in for new automobiles. And now they are also being squeezed between new 1954 cars and unsold 1953 models. At the dealers' annual convention recently, manufacturers were told that they had little hope of selling their planned production of 5.5 million cars in 1954 unless prices were reduced. But so far there is no marked tendency towards lower—or higher—prices and even re-styling is not general in the industry this year. The Chrysler Corporation, however, has made its contribution to the psychological war, in this case against the buyer, by lifting its mudguards so that the customers can see the wheels go round, something that seems almost indecent in an American car.

Last Round to "La Ronde"

N EARLY three years ago the French film "La Ronde" was denied a licence to be shown in New York, on the ground that it was immoral, although it was exhibited in many other states usually considered less sophisticated. Last spring the highest court in New York upheld this use of the police power. But this week, when the Supreme Court reversed the decision—as well as that of a court in Ohio upholding the ban on "M"—the final, and vital, round went to "La Ronde." In their unanimous decision, the Justices referred to their verdict in the case of "The

Miracle," which found that the guarantees of free speech contained in the First and Fourteenth Amendments to the Constitution covered motion pictures.

This seems to be the censors' Waterloo. From now on a film will have to be very offensive indeed for a state to hope to ban it without infringing the Constitution. It will not be enough for a picture to incur the displeasure of any powerful local orthodoxy, which in New York means the Roman Catholic hierarchy. Six states and some fifty cities have censored films.

This new blow for film freedom comes at a moment when the American industry itself is beginning to feel the need for more latitude. Members of the Motion Picture Association have submitted for over twenty years to a code of film standards so exacting that soldiers in the front line are not allowed even a faint "damn." Last spring the seal of approval was withheld from "The Moon is Blue" because it dealt with seduction (America has no A certificate). Not surprisingly, it played to packed houses. The RKO Company, just before Christmas, similarly defied the code in the case of "French Line" starring the now repentant Miss Russell, but it has since bowed to the threat of a boycott by the Catholic Legion of Decency. More important than this incident—involving an inferior film—is the considered letter of Mr Sam Goldwyn to Mr Eric Johnston, suggesting to the Motion Picture Association that it is time to recognise that American audiences and American films can now dispense with some cotton wool and rose-coloured spectacles. Indeed, faced with the competition of television and foreign films, Hollywood may have no recourse but to break into the adult market.

Let the Giver Beware

THE generosity toward the unfortunate which has always been an outstanding American trait has made charity big business. But the more than \$4 billion contributed each year also attracts racketeers and unscrupulous promoters, who flourish in the many states which do not protect their Good Samaritans from exploitation. Shocking facts about a number of nationally known charitable appeals have been brought out by a committee of the New York legislature which is drawing up a law requiring full accounting from private charities.

The National Kids Day Foundation, for example, whose name alone might have caused a shiver of mistrust, collected nearly \$4 million in five years, of which all but \$300,000 lined the pockets of professional fund-raisers. An ex-servicemen's organisation, which used the name of the President, without permission, to impart an aura of integrity to its publicity, received \$21 million and spent nearly \$17 million on fund-raising and administration; not a penny in direct aid reached any ex-serviceman. On an even lower level, there is, particularly at Christmas time, much stoking up of the notorious "boiler rooms" where professional pleaders, working on commission, exercise their arts on the unsuspecting over the telephone.

According to an estimate of an expert of the Russell Sage Foundation, fraudulent charities siphon off about \$100 million a year; still more is lost by ill-run charities which cannot keep their costs down to the 15 per cent or so of

receipts which is the practice of the efficient. The multiplicity of appeals even from these deserving organisations is a continuing grievance with many Americans and is not likely to be cured by separating the sheep from the goats. After the first world war the idea of the community chest caught on, the aim being to collect, in a single campaign, funds for all deserving local charities.

But despite the quotas and the social and business pressures to subscribe a "fair share," the chests proved unable to meet even local needs in full, while the big national organisations such as the Red Cross continued to make separate appeals. In recent years communities have joined to create United Funds, which raise money for the national good causes in return for a promise of exemption from special drives, except for capital funds or in cases of emergency. But a number of the largest national organisations co-operate, if at all, under protest, in the belief that their causes and their funds suffer if they submerge their identities in a single standard impersonal appeal.

SHORTER NOTES

The first shipment of iron ore from Venezuela's mountain of solid iron, Cerro Bolivar, which has been developed by the United States Steel Corporation, was due to arrive in Pennsylvania this week. Production from this new source of supply, which cost the corporation \$170 million in roads, railways and port facilities, is expected to reach five million

tons next year and 10 million tons—10 per cent of America's iron ore needs—within a few years.

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Concerned with the falling sales of regular cigarettes, 14 major tobacco companies have formed a Tobacco Industry Research Committee to undertake extensive research on the effects of tobacco use, although they coupled this announcement with a statement stressing their doubt that smoking induces lung cancer. It is believed that the tobacco companies have received unofficial approval from the Department of Justice for this joint action, which technically contravenes the anti-trust laws.

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The fact that steel production is now running at only about 75 per cent of capacity is not as disturbing as it might seem at first sight. For capacity since January 4th has been 124,330,410 tons of ingots and steel a year, an increase of 6,782,940 tons over the 1953 figure on which calculations were previously based. The steel industry has doubled its capacity since 1940.

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Married women outnumber single women by more than two to one in the labour force, according to a special survey taken last April, and the number of working wives is going up, unlike the figure for single women.

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RESOURCES		LIABILITIES	
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U.S. Government Securities	833,048,304.74	Surplus	100,000,000.00
U.S. Government Insured F.H.A. Mortgages	81,410,689.37	Undivided Profits	29,279,761.30
State, Municipal and Public Securities	135,850,386.05	Reserves for Taxes, Unearned Discount, Interest, etc.	21,903,581.72
Stock of Federal Reserve Bank	4,511,700.00	Dividend Payable January 15, 1954	1,889,625.00
Other Securities	28,084,495.54	Outstanding Acceptances	13,985,931.63
Loans, Bills Purchased and Bankers' Acceptances	917,612,832.12	Liability as Endorser on Acceptances and Foreign Bills	14,629,344.74
Mortgages	14,434,348.73	Other Liabilities	1,635,734.97
Banking Houses	14,918,335.67	Deposits	2,699,398,711.05
Customers' Liability for Acceptances	13,537,850.23		
Accrued Interest and Other Resources	7,484,154.94		
	\$2,933,112,690.41		\$2,933,112,690.41

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The World Overseas

Does Neguib see Clear?

FROM OUR CORRESPONDENT IN CAIRO

THE dissolution of the Moslem Brotherhood by the Council of Revolution is evidence of other things besides the complex strains to which the present regime is subjected. These are undoubtedly important enough in a country where the restoration of any degree of stability compels unpopular policies. The group of officers who set out to extricate Egypt from its lamentable past has long since discovered how numerous are the enemies its virtuous intentions can earn for it. But behind its plight and its latest act of authority lies the vaster, deeper strain which Islam feels at this point on the Mediterranean coast where history and geography give it close association with the industrial civilisation of the West.

A cultured observer of the problem pointed out that whereas Turkey broke with its Moslem past, Egypt is trying the much more difficult and enduring route of adjustment. Indeed, the Egyptians might reasonably be accorded the more sympathy for their effort, and because so many of their idiosyncrasies in the international field stem from this present maladjustment.

The Moslem Brotherhood and kindred organisations are the extreme wing of resistance to those conditions in the modern world which are dragging the urban Moslem areas into a westernism that is in many ways incompatible with a strict interpretation of the Moslem way of life. Western influences have everywhere weakened the social structure of Islam in urban areas and consequently weakened religious authority. Everywhere there are religious leaders and movements which seek to bolster their declining influence by adopting an extreme nationalism which has nothing in common with Islam's fundamental tolerance.

For the governments of the area, such movements become a difficulty and then a menace, for they make fanatics of simple-hearted people and out of fanatics manufacture, sometimes by accident and sometimes by design, terrorists who "with the sword of the destroying angel" wished "to hew their way through the wood of God's world." They become an impediment to social progress and at times an obstruction to government itself.

These movements were, and are, the backwash of progress. In Egypt the power of the Brotherhood became a major encumbrance after the second world war and was enhanced by the temporal ambitions its leaders acquired. Neither the parties nor the King in the old regime could work with them, and Mahmoud Fahmy el Nokrashi paid with his life for suppressing them in 1948. The Free Officers Movement, which ultimately organised the *coup d'état*, sympathised with the Brotherhood because the

officers, too, were bitterly opposed to the Palace and the old regime, because they had seen Brotherhood volunteers at the Palestine front, because they, too, hankered after a purer religion. What they did not realise was that their more practical and secular aims were in conflict with the very nature of the Brotherhood. They were looking forward to a progressive agricultural and industrial Egypt; it was looking back over its shoulder into the Islam of Africa and Asia.

Stripped of the propaganda and emotion which confuse it, the policy of the present regime is to achieve a settlement with the West, because only by such a settlement can Egypt's material progress take place. The Brotherhood was in conflict with this broad aim everywhere—from its cells in workers' syndicates which bedevil industrial relations in foreign firms, to its refusal to compromise with Britain over the Canal Zone. Even the demands which from the outset it imposed upon the constitution-making committee were incompatible with the needs of a country that has a substantial Christian and foreign population. In the circumstances, Neguib had either to capitulate to religious reaction or break with the Brotherhood.

It chose the latter course, but whether in full recognition of the fundamental conflict remains to be seen. Since the dissolution was announced the suggestion seems to be that the action was taken only against a faction preaching violence. This may be intended only tactically to reconcile the mass of Brotherhood members to the act; or it may mean that the Council of Revolution believes that the virtues of the movement can be salvaged and the subversive and terrorist cells destroyed. That the Council believes it can purify the Brotherhood is possible. Its own direct, hang-the-consequences approach to some problems has an emotional affinity with that of the extreme Moslem nationalist, who might well have confiscated all the wealth of the royal family out-of-hand, have expelled the Turkish Ambassador in brusque contravention of diplomatic usage, or have come to a stubborn halt when a settlement with Britain seemed at hand. Furthermore, for a regime which has been compelled to sacrifice the support of so many sections of the community, the prospect of retaining the support of the rank-and-file membership of the Brotherhood must be attractive.

The error of such a policy would seem to be that the Brotherhood is aggressive Islam, not so much content to set an example of personal devotion as to drive the community into demanding a state of a reactionary pattern. Eventually, one feels, even a purged Brotherhood would

again become a hindrance to the present leaders. The difficulties of the present regime spring less from lack of popular support than from the impasse in their relations with the West which prevent their making adequate progress on the immense material problems which the country has to face. Egypt's destiny is to be complementary to Turkey in the Eastern Mediterranean, and the refusal to admit this destiny, and to pursue it, obstructs the regime at every turn. The support of the Brotherhood or any other movement is only important because, in present circumstances, material progress is inevitably slow. Were it greater and more rapid, it would win for the regime that mass of people who are content to live peacefully and quietly in the grace of God and the government.

The Link with Islam

Do the men who dissolved the Brotherhood now see their way ahead? Their long communiqué explaining the act ended as follows:—

The Revolution will not allow a reactionary tragedy to be re-enacted in Egypt in the name of religion, and will allow no one to tamper with the future of this country in pursuit of his private desires, regardless of what pretexts he advances, or to exploit religion to further his own aims. The measures of the Revolution will be decisive and will be carried out in daylight before the eyes of all Egyptians. God is the giver of success.

If they were merely smacking down a rival for power, they have achieved little beyond making themselves one more enemy. But if they were for the first time admitting the conflict between themselves as representing modernisation and the Brotherhood as representing reaction, they have undergone an important psychological change. The closing words of the communiqué suggest that they want, in contrast to Turkey, to keep their link with Islam; this would be possible, but the only way to win and hold the support of devout and God-fearing masses would be to produce more results than have yet been produced on the home front. To obtain these it will be necessary to seek Western help and to stop using the manufactured "public opinion" that can be so easily roused in Cairo. If this is the way the Council of the Revolution's mind is working, its dissolution of the Brotherhood is full of meaning and points to a more coherent policy.

The Ideas of Mr Djilas

TIMES change and Communists must change with them. This simple and not very profound idea is the text developed at length by Milovan Djilas in the series of articles which have now led to his downfall. In Mr Djilas's view the "socialist reality" is constantly developing and changing, creating new conditions and throwing up new forces. But in Yugoslavia today this continual evolution is not being reflected in thought and political organisation. In consequence there is "a conflict between life and inherited patterns, between dogmatism and reality." In other words, the Yugoslav Communist Party has failed to work out the implications in thought and practice of the great social and economic changes that have been, and still are, taking place. It has not been sufficiently alive to the fact that all its time-

honoured theories are being shaken "in everything but their foundations"; that "only the basic materialistic (Marxian) principles" remain. Even the cherished slogan of "class warfare" has lost its potency because in the new Yugoslavia the class structure of society has been revised; the class struggle has been degenerating into one between the bureaucracy and the people.

Above all, Yugoslav Communists have failed to realise that the role of the party is not what it was. Yugoslavia is progressing not by revolution, but by peaceful evolution, and Mr Djilas believes that to struggle for power in a revolutionary fashion is now both "pointless and unrealistic"; it could even be interpreted as behaviour of a counter-revolutionary nature. During the revolutionary period the interests of the party coincided with those of society as a whole. But this is no longer so. Now it is necessary to work for the weakening of the monopoly control of any political movement over the life of society, because if any party or group assumes the exclusive right to "manage" society, it will end by "enslaving" it.

Fight for Freedom of Thought

Mr Djilas believes that what he calls the "socialist consciousness" is not represented today only by the Communists but by "the broad strata of society in various forms and intensity." The Yugoslav Communists, therefore, must make up their minds to work with all those who are in favour of a democratic, socialist and independent Yugoslavia whether or not their ideas are identical with the socialist dogma "produced by this or that official." They must no longer regard themselves as occupying a special and privileged position in society; they must no longer occupy themselves with "dogmatic moralization and empty idle and senseless discussions, while life passes by." Their first task must be to "make possible the expounding of ideas, to secure that no one be really persecuted because of his ideas"; so that the bureaucratic and obsolete forces in society can be "pressed back in democracy." In Mr Djilas's view

There is no and can be no other way out but more democracy, more free discussions, freer elections of social, government and economic organs, more adherence to the law.

At the same time, Mr Djilas maintains flatly that there can be no democracy—even that there can be no Yugoslavia—without Communists; but that does not mean that they must work and organise in the same manner as before. He seems to envisage the Alliance of Communists ceasing to be a party in the ordinary sense, and turning instead into "a real and live alliance of ideologically close people." The good and gifted Communist would be known not from his function in the party committee or in the government, but from his ability to influence (not compulsorily drag) the ideological and political life of the people. This conception of Communists who concentrate on the "internal ideological life" is not altogether consistent with Mr Djilas's earlier condemnation of Communists who regard themselves as "the priests and gendarmes of socialism." Indeed his efforts to avoid the consequences of his own arguments are clearly not very satisfactory; the place he has marked out for the party in the new Yugoslavia is impossibly lofty and idealist for practical men, who have tasted power.

No Horatius for Italy

FROM OUR ROME CORRESPONDENT

SIGNOR FANFANI has now managed to form a government and thus becomes Prime Minister of Italy at the age of 46. But no one could pretend that his prospects of staying long in office look good. Indeed, the laborious and unedifying negotiations before and after Signor Pella's resignation have brought home sharply to European opinion a fact that has been fairly obvious to observers here since the defeat of the moderate coalition under Signor De Gasperi at the elections last June. The bridge on which Italian democracy is warding off attacks is perilously vulnerable, and the defenders offer a terrifying spectacle of disunity and disorder. There is definitely no Horatius in sight.

Yet Italian statesmen are lacking neither in insight nor stature. Why, then, have they failed so lamentably of late? The short answer is that the main centre party in Italy, the Christian Democrats, embraces such a wide variety of conflicting currents that it is in perpetual danger of splitting. In particular, it is difficult to reconcile the interests of Catholic trade unions, which have recently joined the Communists in a token strike for higher wages, with those of rich industrialists and landowners. The party is, therefore, bound to suffer from a split mind when it comes to the choice of the allies whom it must have to bring its 45 per cent of parliamentary seats up to a majority. To make matters worse, the other three centre parties, with which Signor De Gasperi went to the polls last June, were so soundly beaten that they have ever since been chary of allying themselves too closely with the Christian Democrats.

A Serious Miscalculation

Such an unpromising situation makes the failure of the moderates to throw up a Horatius easier to understand. Who would qualify for the post? First, there is the dominating figure of Signor De Gasperi. His failure to secure a majority at the last elections ruled him out as Prime Minister. But it was hoped that as its leader he would take the party in hand firmly enough to give it a coherent policy. In that aim he has failed lamentably. When he himself was unable to form a government last summer, he torpedoed an attempt by the right-wing Signor Piccioni to reform the coalition with the other centre parties. The deep rift caused by this manœuvre persists to this day.

Signor De Gasperi did, however, back the temporary solution of a caretaker government of experts under Signor Pella, who had no following in the party caucus. But Signor Pella, backed by the Monarchists and right-wing Christian Democrats and reaping popularity from the Trieste crisis, quickly gained a position in which he could snap his fingers at the party machine. De Gasperi thereupon decided, just before Christmas, to emphasise the distinction between the government and his party. His calculation was that Signor Pella would obligingly carry on till about next autumn, when the party, its ranks consolidated and its funds augmented, would go to the polls and be returned with an absolute majority. But Signor Pella, to no one's surprise, struck back. Surprised, Signor De Gasperi hastened to compromise. An understanding would

have been reached had it not been for Signor Fanfani's insistence on the retention of his nominee at the Ministry of Agriculture. Signor De Gasperi yielded to his pressure, and Signor Pella resigned.

The extent of the disaster provoked by Signor De Gasperi's mistaken tactics remains to be seen. But it is difficult to see how fresh elections in the near future can be avoided; the Left will probably then increase their vote, and huge numbers of voters, disgusted by the recent political intriguing, will no longer support the Christian Democrats. Signor De Gasperi's prestige, like that of his party, has suffered seriously.

Next in line as a successful moderate leader is Signor Fanfani, the new Premier. He is an able and dynamic administrator, a sincere philanthropist, a vigorous advocate of social reform. But he is ambitious, and models his flexible choice of methods and associates on that of the Jesuits. From the left wing of the party, he has gravitated into the position of a successful politician, whose insistence on agricultural reform has tended to take the form of building up a clientele among the farmers and landowners. It is hardly surprising that he is widely disliked and distrusted. The point on which he forced Signor Pella's hand seemed too much one of patronage rather than of principle, and his approaches to the Monarchists ignore Signor De Gasperi's wise contention that an alliance with that party is playing the game of the Communists' popular front tactics.

Lastly, Signor Pella is a possible Horatius. A non-party man, he has built up for himself a tremendous following in the country. In Italy there is a traditional sympathy for the able expert who has no political axe to grind. It is particularly strong on the Right and among people who tend to vote for emotional rather than for clear, if interested, motives. It is significant that the Monarchist Party, who fall into this "non-political" category, supported Signor Pella. It is certain that, if he were to form a party and go to the country on a programme of "efficient government versus the parties," he would receive a huge volume of support. But it is doubtful whether such a move is practical politics. And if he were successful, the West might not have special cause to rejoice. The parallel with the early twenties, with its weak centre and turbulent left, leaps to the eye.

Ukraine in the Limelight

CELEBRATIONS have begun this week to commemorate the 300th anniversary of "union" between Ukraine and Russia. During the next three months all sorts of meetings, parliamentary sessions and other ceremonial functions are to be held throughout the two countries. The Soviet government and party have already issued lengthy theses on the subject, and a conspicuous place has been found in the Soviet Pantheon for Bohdan Khmelnytsky, the Ukrainian Cossack leader who helped to bring about the union.

Obviously the new regime would not create so much ado about an historical date if the celebrations could not be used for an immediate practical purpose. From the published texts it would appear that by emphasising the

"brotherly ties" and presenting Russia as the saviour and benefactor of Ukraine, an attempt is being made to strengthen the hand of the Russifiers who had been threatened by the spring tide after Stalin's death. Then, while Beria was still in power, Russification was attacked and a more liberal policy towards the minority groups was foreshadowed. Now the line is being reversed and Ukraine is naturally at the centre of the conflict, since, with a population of 40 million, it is the biggest minority group. It is also economically the most important, as it still produces about one-third of Soviet coal and steel, and is a major granary and the chief sugar supplier.

The new version of history has strong racial, Slavophil undertones. It is now claimed that Russia "from its very beginning was a centre of attraction and support for its brethren fighting against foreign oppression . . . the Ukrainian people have tied their fate for centuries with their blood brothers the Russians." This is a far cry from the early Communist denigration of Tsarist conquests. Then it was merely pointed out that the Ukrainians had exchanged one form of exploitation for another, that Polish nobles had been replaced by Tsarist landlords. The new line must please the chauvinist and centralist elements in the army, police and the party.

But neither the line nor the balance of forces is yet clear. Another, though certainly not the last, reshuffle in the Ukrainian leadership has been announced. It all started after Stalin's death, when under Beria's guidance an open attack was launched against the policy of Russification. The first secretary of the Ukrainian party, Melnikov, was then sacked, but his protector and predecessor,



the all-Soviet party boss Nikita Khrushchev, was probably the chief target. Khrushchev and the diehards, however, hit back and it was then the turn of Beria's supporters to tumble. In particular, Meshik, the minister of the interior and a Beria man, followed his master before the execution squad. Last week the Ukrainian premier Korotchenko was kicked up into the presidency, a more decorative but less important post in the Soviet republics. But the operation is not yet complete. Many followers of Beria must still be clinging to their jobs, while the disgraced Melnikov has not yet returned from his diplomatic exile in Rumania.

The purge proceeds on an instalment plan because Beria's policy must have found a particularly favourable ground in Ukraine, which has always been a centre of nationalist discontent. By encouraging economic development Stalinism has made its own task more difficult. Each year some 35,000 Ukrainian students graduate from higher

educational establishments, and about 70,000 from technical schools. This ever-growing native intelligentsia resents Moscow's iron hand. Now, under the cloak of anniversary celebrations, the diehards are trying to reinforce the Russian grip.

Peking's Trade Headache

A REPORT, originating from an Indian source, suggests that the Chinese Communists are anxious to expand their trade with the free world. There is no confirmation from any other quarter of such intensified interest in Peking in expanding its non-Communist foreign trade, although it has long been clear that the Chinese are far from satisfied with their present trade channels with the West.

If the Chinese are, however, genuinely wanting to do more business with Britain they have the key in their own hands. They have Hongkong on their doorstep, ready, willing, and fully equipped to do legitimate business with them; there are the "old China hands," with their long experience and expert knowledge, who are ready, given the chance, to renew old business contacts; and they are at liberty to communicate directly, or through agents, with firms in this country. But up to the present they have deliberately fought shy of these channels, preferring instead to use trade mainly for propaganda purposes. Their official journal *China Reconstructs* recently claimed that China was willing to do business with any country "on the basis of equality and mutual benefit"; yet they continue to hound British firms in China, humiliate British businessmen, and make it as difficult as possible for Britain to trade with them.

Soviet Double Dealing

Even if the strategic controls on exports to China were relaxed it is improbable that the market for the West's exports will be very extensive. There is ample evidence that the Communists are experiencing a severe shortage of foreign exchange, and so far there is no sign that Soviet aid will include convertible currencies. A recent directive from the Peking government to its foreign trade commissioners illustrates their plight. Every effort must be made to facilitate the collection and dispatch to the ports of exportable products; outlets must be sought on foreign markets; and the policy of "better price for superior goods and low price for inferior goods" must be strictly enforced. Besides this resort to the price mechanism, private merchants are to be allowed "a reasonable profit" as an inducement to earn foreign currency for the state, and, as if to discountenance past excesses, the directive urges officials collecting goods from the peasants to treat them fairly and politely.

As something like 72 per cent of China's foreign trade is now directed inwards to the Soviet bloc, Peking is naturally finding itself short of its traditional foreign currency earners, such as soya beans, oil seeds, bristles, and feathers. They cannot be pleased, moreover, when these exports are re-exported from the Soviet Union and eastern Europe to the West at cut prices. Confirmation of China's foreign trade difficulties comes from Japan, where it has been made known that China cannot for the time being supply any soya beans. Another sign is the embargo recently announced by Peking on the export of certain oil seeds.

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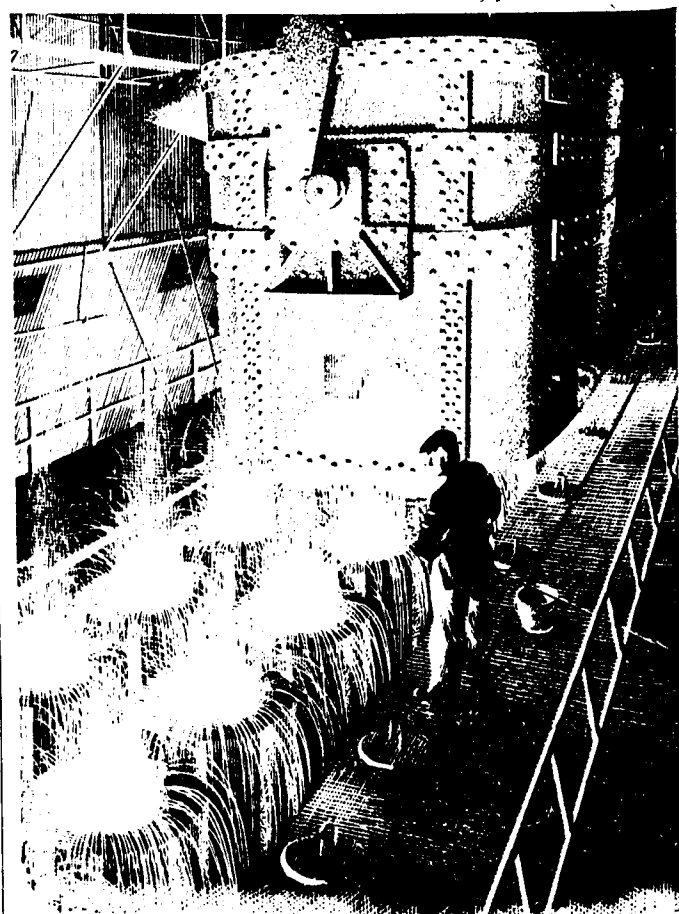


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Denmark Remembers

THE release, just before Christmas, of four Danes who had been sentenced to long periods of imprisonment for war crimes, including murder, set off a dramatic wave of protests throughout their normally placid country. Former Resistance groups were joined by other organisations in their denunciations, and over 50,000 individual protests were addressed to Hr Hedtoft, the Social Democratic prime minister. Last week representatives of all five democratic parties pressed the minister of justice, Hr Haekkerup, for an explanation in the *Folketing*. The minister defended himself by pointing out that out of 13,500 persons originally sentenced for treacherous acts during the Nazi occupation, all but sixty had been progressively released by governments of both the Left and the Right; but he gave way to the extent of announcing a suspension of the work of the board concerned with pardons.

The emotion aroused in an unemotional country by this affair calls for some attention. In Italy, France and elsewhere the problems presented by the release or continued imprisonment of men who served the Gestapo or betrayed their occupied countries in other ways have been confused and obscured by party passions and personal recriminations. In Denmark the reverse is the case; on the whole, so little feeling has been excited that the release of most of the minor war criminals passed almost without notice. Only now, when men convicted of the most revolting crimes have been freed after serving a fraction of their sentences, has indignation boiled over. It is an important piece of evidence in the unending controversy, in this and other countries, over penal principles in general. Even the combination of eight years of peace, a quietist national character, and a humanitarian penal tradition, has not sufficed to make Danes swallow without protest the release of their blackest offenders. Are there limits to human patience, even among the mildest of peoples, beyond which sheer revulsion must be pacified by the infliction of genuinely stern punishments?

Investment Policy at Luxemburg

THE Assembly of the coal-steel Community met last week in special session to debate the High Authority's investment programme in which it lays down certain broad objectives to be pursued over the next five years. The Assembly, or Parliament, of the Community is composed of 78 delegates chosen annually by national parliaments from among their own members. Ordinarily it meets only once a year to consider the annual report of its executive body, the High Authority; it then has the power to oust the Authority by passing a two-thirds vote of censure. On this occasion, however, it was called together simply to elicit views on the crucial problem of investment.

Constitutionally, the High Authority can do little more in this field than to review and express its opinion on the investment programmes of firms in the Community, recommend certain general policies and make a financial contribution to projects it deems worthy of help, either by granting loans to firms or by offering to guarantee loans that they may contract. However, this limited power is greatly rein-

forced by the knowledge that the Authority will serve as the channel for any American funds invested in the Community. An American loan—some reports speak of as much as \$500 million—is expected very shortly.

In its report to the recent Assembly meeting the High Authority suggests that the following five priorities should guide its decisions in the matter of allocating funds and support for investment programmes submitted by individual firms. (1) Coal production should be modernised with the special objects of raising the average output per manshift from 1,400 to 1,500 kilos at least, and of increasing the production of coking coal by from 20-22 million tons annually. (2) More and better housing must be provided for miners—60,000 dwellings need to be reconditioned and another 40,000 should be built. (3) Thermal power stations at the mines should be modernised and expanded. (4) The productive capacity of the coke ovens needs to be increased by 9 or 10 million tons annually; production costs should be lowered. (5) The iron ore mines should be modernised and their productive capacity increased from 62 to 80 million tons annually.

All five of these priorities are based on an estimate by the High Authority's experts that by 1957-58 the demand for Community steel will be 50 million tons a year, compared with current production of 42 million. In order to produce this tonnage at competitive prices the steel industry must have at its disposal adequate supplies of raw materials at lower prices than now prevail.

Fear of Unemployment

The Assembly gave its full support to this statement of investment policy, but not before various critics had made it plain that certain of the objectives struck them as being much more important than others. They wanted the emphasis placed on high productivity and lower costs rather than on greater production. In particular they felt this policy should apply to the coal industry, where any setback to demand would create a disproportionately large unemployment problem; for this reason they advocated that scarce resources should not be used to expand coal production to the point where every possible boom demand could be met out of domestic output.

In the same spirit of caution, some Assembly members urged that special attention be given to schemes for retraining redundant workers and placing them in new jobs—this process is called "readaptation" in Community jargon. M. Monnet reassured them on this score by saying that of the \$48 million that the High Authority will have collected by June from its levy on production in the Community, \$7 million will be set aside for readaptation; another \$35 million will be used for the credit fund to guarantee loans, \$5 million for administration and \$1 million for technical and economic research.

Finally, while approving the priorities that the High Authority has recommended as between the steel, coal and iron ore industries, members of the Assembly wanted to know more about the bases on which funds would be allocated to the individual firms themselves. Would it be considered more profitable to help a high-cost producer to lower his costs or to expand the output of someone who is already a low-cost producer? The Authority replied that a series of comparative cost studies had been put in hand and that a detailed set of investment principles must await its findings.

"Just the Art of Being Kind"

FROM OUR JOHANNESBURG CORRESPONDENT

PUBLIC interest in South Africa has switched from politics to cricket, but the politicians will be coming in to bat again at the end of January when Parliament reassembles. Dr Malan, who will be 80 in May, has handed over the leadership of the Cape Nationalist Party to Dr Dinges. This was a blow for Mr Strijdom, the Transvaal Nationalist leader, who favoured Mr Louw. When Dr Malan retires, probably this year, the line of succession would appear to be: Mr Havenga, swiftly followed by Dr Dinges. Mr Strijdom is very ambitious and is unlikely to take this lying down. A struggle for power within the Nationalist Party might precipitate a *toenadering* between "moderate" Nationalists and those United Party MPs, believed to number about 19 if the five recently expelled "rebels" (who retain their seats) are included, who think the United Party's only hope lies in compromising with the Nationalists.

Some powerful Nationalists, including possibly Dr Malan, would like to put a brake on Mr Strijdom's ambitions. There is traditional Cape Nationalist jealousy of Transvaal Nationalism. Mr Havenga wants financial stability, more capital from overseas, and an end of English-Afrikaner political bickering, which he feels is harming South Africa and endangering "white civilisation." Dr Dinges is possibly less concerned about English susceptibilities than Mr Havenga; but he does want to be Prime Minister one day, instead of Mr Strijdom. It was Dr Dinges who started the attack on the Coloured Vote which led to a clash between the Government and the Appeal Court. Dr Dinges probably feels he has burned his fingers sufficiently in that direction. If the Coloured Vote issue could be got out of the way, by agreement with a section of the United Party, Dr Dinges (and Mr Havenga) would feel much happier.

Trouble Over a Tea-party

A section of the United Party has never been able to understand what all the fuss over the Coloured Vote was about. It feels that the removal of the Coloured voters from the common roll would be a small price to pay for what it calls "racial peace," meaning a get-together with "moderate" Nationalists to defeat Mr Strijdom. The alternative seems to be not only a continuation of English-Afrikaner bickering, but also a prolonged sojourn in the political wilderness for the United Party. This section views with impatience and distaste Mr Strauss's allegedly high-handed treatment of some United Party stalwarts who had tea with Dr Malan and discussed with him their differences with Mr Strauss over the Coloured Vote. One United Party supporter has described the manifestoes and counter-manifestoes accompanying Mr Strauss's expulsion of the rebels as revealing "incredible petty differences." Complaining that "this sordid squabble... has profoundly shaken faith" in the United Party, he asks whether there really were any fundamental differences of policy between the United Party leadership and the rebels, and inclines to think that there were not.

The correct answer seems to be that there were, and are, but that the United Party leadership signally failed to define

them. Mr Strauss has taken a fairly clear stand against expediency, in the shape of sacrificing the Coloured voters to please the so-called "moderate" Nationalists. But this stand is largely vitiated by his failure to disagree emphatically enough with the Nationalists on other issues, and especially a non-European policy as a whole. Mr Strauss boasts that he is "neither conservative nor liberal." He opposes *apartheid*, but supports segregation. He denounced the Nationalists for provoking the non-Europeans, but supported their legislation, including the notorious Flogging Bill. Many United Party supporters wonder why, when their leader swallows camels, he should strain at a gnat like the Coloured Vote and expel some leading United Party members for questioning the wisdom of his choice.

United Party spokesmen who have stood staunchly by Mr Strauss during the great schism of the past few months are unfortunately no clearer about their ultimate objectives than he is. They excel in denunciations of the "rebels" and of the Nationalists; but when asked what it is that they themselves stand for, they appear to experience great difficulty in returning an unambiguous answer. Mr Henry Tucker, the chairman of the Transvaal United Party, recently attempted to define United Party policy. The Nationalists, he said, sought only Afrikaner domination. The Federal Party was simply reviving the useless "imperialist struggle" of 50 years ago. And the United Party? Mr Tucker preferred, somewhat astonishingly, to answer in rhyme:

So many faiths, so many creeds;
So many paths that wind and wind,
While just the art of being kind
Is what the whole world needs.

Some people, and not only the "rebels," are beginning to think that it is the United Party as led by Mr Strauss that winds and winds.

Mr Strauss's problem is that a sharply defined policy which differed clearly from the Nationalists' policies would almost inevitably be more liberal; and he fears, perhaps rightly, that this would estrange voters. On the other hand, vague goodwill as limned in rhyme by Mr Tucker is hardly enough to stop the Nationalists. Hanging over the country's head are stormclouds like the Nationalist plan to uproot hundreds of thousands of protesting non-Europeans in the large urban centres, in the name of *apartheid*. Faced by such specific threats to racial peace, the United Party simply dithers. It prefers to think of "racial peace" as meaning good relations between English and Afrikaners, with the entire non-European problem disposed of by "lifting it out of the arena of party politics"—whatever that might mean. Mr Strauss thinks such good relations can be achieved only by the country consenting to put him in power, instead of Dr Malan or any other Nationalist. The United Party "rebels" think it can best be achieved by an alliance with "moderate" Nationalists—at the cost of sacrificing both Mr Strauss and the Coloured voters.

But neither policy seems likely to achieve racial peace in South Africa. Mr Strauss is a man without a policy who may soon find himself without a party. The struggle for power within the Nationalist Party, which has already begun, may encourage *toenadering*. But even a regrouping of the white political forces will not solve South Africa's black problem. At best, it will check Mr Strijdom without appeasing the non-Europeans led by Mr Luthuli. The missing factor in the equation is a Smuts, whose broad vision would seem to have died with him.

harvests and health

The snake was an ancient symbol of Time
and the turning year, with its earth-seasons
of spring planting, summer growth,
autumn harvest and winter sleep.

And the snake of Esculapian has,
since classical times, been a symbol of healing.

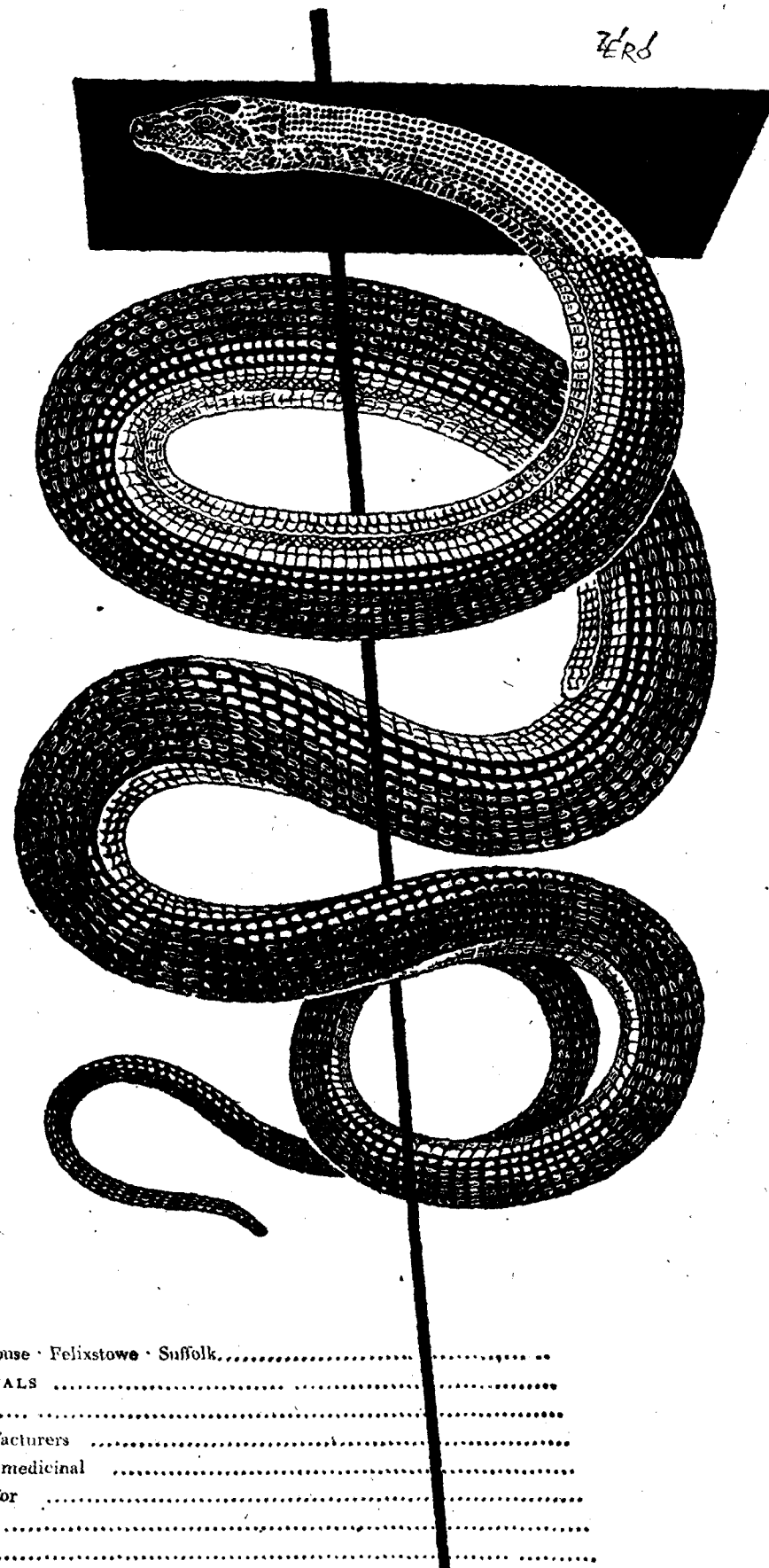
Agriculture to produce man's food,
and medicine to care for his health...

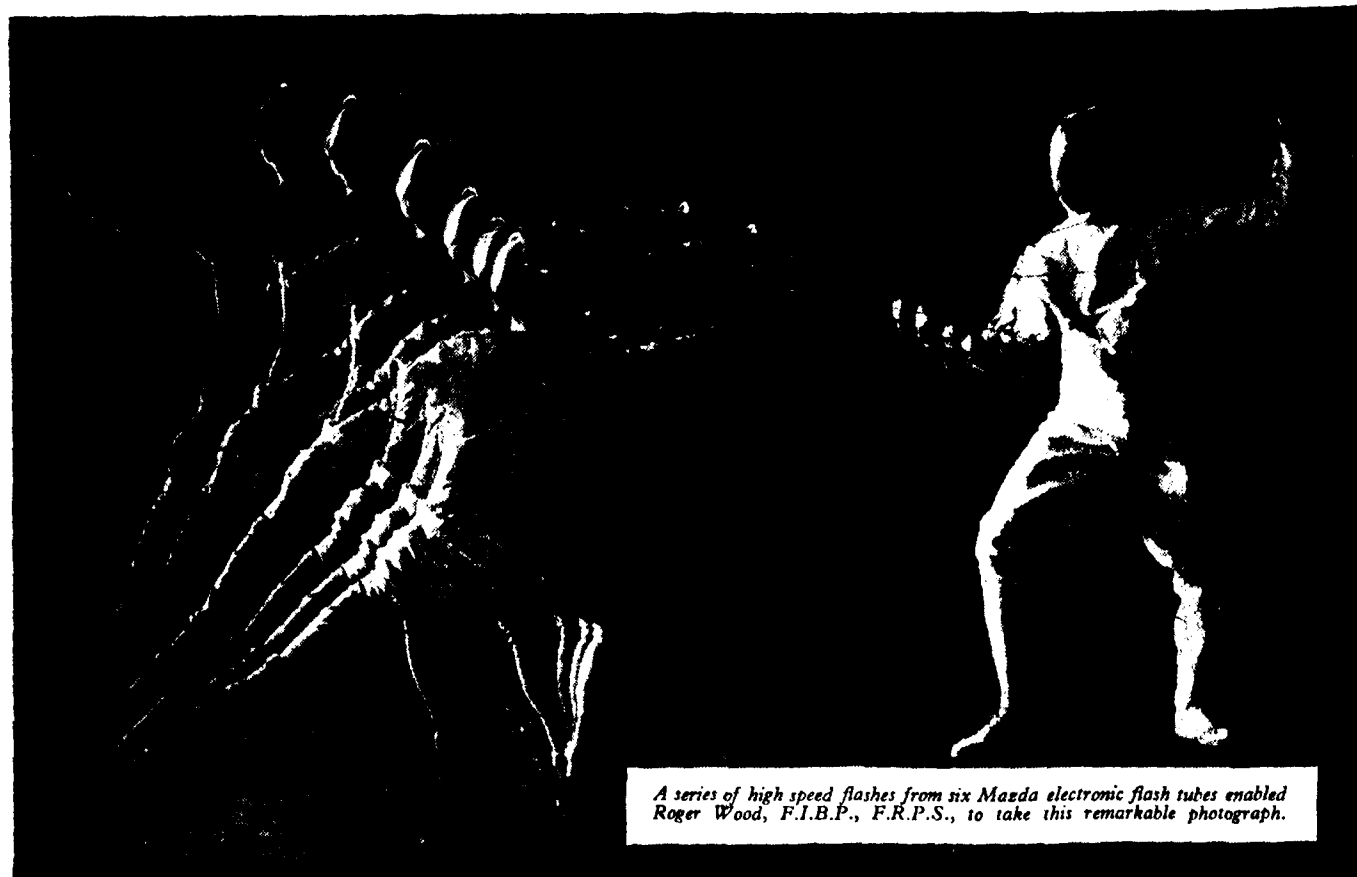
The improvement of crops
has been the main business of Fisons
for a hundred years and more,
almost since the science and production
of chemical fertilizers began.
And, in recent years, Fisons have struck roots
in the field of chemicals for medicine.
Fisons today contribute to the harvests
and health of the world.

FISONS LIMITED · Harvest House · Felixstowe · Suffolk.....
FERTILIZERS · HEAVY CHEMICALS

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

it's all in **FISONS** field





A series of high speed flashes from six Mazda electronic flash tubes enabled Roger Wood, F.I.B.P., F.R.P.S., to take this remarkable photograph.

THE SAME RESEARCH and manufacturing resources which produced the first jet engine of Whittle design and the electrical power system of the Comet are also behind Mazda lamps.

For half a century BTH has maintained its reputation for leadership in lighting. During that time many of its developments have become standard throughout the world.

Here are three examples from literally hundreds of recent achievements in the field of lighting.

Almost every

important

lighting development

in the last 50 years

owes something

to BTH

200,000 FEET OF FLEXIBLE LIGHTING

A fluorescent lighting system that can readily be switched around to meet changes in the layout of the factory floor. This is one of the contributions to industrial lighting made by the development, by BTH, of universal lighting trunking.

In addition to carrying lamps, reflectors and auxiliary gear which can be sited anywhere along the production line, the trunking also carries other services, such as fire alarms, visual signals, clocks and "Music-While-You-Work".

There are now two hundred thousand feet of Mazda trunking in factories all over the country.

Increased productivity is dependent upon developments such as these; that is why BTH Research is always seeking new ways of providing more efficient and more economical lighting.

EXPLOSIMETER

The explosimeter is a device used on board tankers and in refineries to give warning of any dangerous concentration of inflammable gas. A vital part in the operation and reliability of the equipment is played by a special lamp which forms a ballast in the circuit.

The manufacturers of the explosimeter asked BTH if such a 'lamp' could be manufactured for them in this country. The challenge was accepted and within a matter of weeks tests had been completed.

The samples proved satisfactory, and yet another type of lamp was added to the many thousands (yes thousands — did you know that?) of different types of lamps already manufactured by BTH.

ON THE BALL

The traditional method of floodlighting football fields and arenas has been to mount batteries of high powered projectors on a series of tall and costly towers; BTH lighting engineers were convinced, however, that an entirely new approach should be made to the whole problem.

It took two years to perfect the design of a glare-free projector which could be mounted only a few feet above the heads of the spectators. The results have been nothing short of spectacular. Players and supporters alike have acclaimed the new Mazda system which, by halving costs, has at last put floodlit football within the reach of every professional club and many amateur clubs.



Mazda

the lamps and lighting fittings with



behind them

THE BRITISH THOMSON-HOUSTON CO. LTD.
(Member of the A.E.T. Group of Companies)
4499

THE BUSINESS WORLD

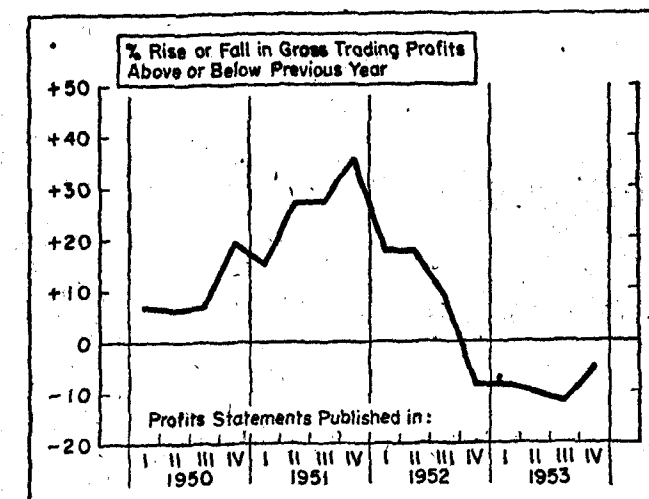
Profits Turn the Corner

THE slump in profits is over. No crystal ball was needed to predict this event three months ago; it was then forecast in these columns that company accounts published in the last quarter of 1953 would still show a drop in profits, but that the fall would be smaller than that revealed by accounts published in the earlier months of 1953. Facts can now replace guesses. The accounts of 661 public companies received between the beginning of October and the end of December show an average fall in trading profits of just over 5 per cent compared with their results for the previous year; reports published between July and September had shown an average fall of nearly 12 per cent, and those published between April and June one of 10 per cent.

The trading years of most of these 661 companies ended in the summer. The sample includes 539 industrial companies, of which 159 drew up their accounts to June, 118 to July and August, and 141 to September. So their financial years began in the dusk of the recession and ended in the dawn of the recovery. The year to last March showed a setback of 4½ per cent in industrial production. In the year to last June industrial production was about one per cent lower than it had been in the previous twelve months. But in the year ended September, for which more than a quarter of these industrial companies reported, industrial production was about 3 per cent up on the previous year. Again, wholesale prices of "materials used by industry" declined in 1953, whereas they had collapsed in 1952; hence, there was no repetition of the losses on industrial stocks caused by lower prices, and some sectors of industry which had borne the brunt of inventory losses in 1952 often found recovery in 1953.

The winter of 1953 will not, however, be remembered as the time when profits turned the corner so

much as the time when equity dividends were freed from the bonds of voluntary restraint. It was Mr. Clore and Mr. Samuel who threw up the windows in the boardrooms to blow the cobwebs away. Directors would have banged those windows shut again if a cold wind had come in. Instead, the breeze raised temperatures and thawed the dividend freeze. But it has not been a heavy thaw. The gross trading profits of the 661 companies have fallen from £238.2 million to



£225.8 million, but thanks to the writing back of substantial sums over-provided for tax in earlier years, their total income has fallen by only £4 million to £260 million. And, following a fall of about £11 million in taxation on the current year's profits, the net earnings available for equity distribution have risen from £59.4 million to £68.7 million. Out of these earnings the companies paid in net ordinary dividends £27.6 million, compared with £24.5 million in the previous year.

These dividends are, however, entered in the accounts after deducting income tax at the standard rate; it follows, therefore, that about £1½ million of the apparent increase of £3 million in equity dividends reflects the reduction in the standard rate of taxation from 9s. 6d. to 9s. in the £. More money—not a lot more—has gone into the shareholders' pockets, but over one-third of it has come from Mr Butler's tax concession (which applies equally to other incomes as well as dividends). Ordinary dividends before tax have been increased from £46.7 million to £50.2 million, equivalent to 15½ and 15¼ per cent respectively on the companies' issued ordinary capital, and representing in each case no more than a return of just under 6 per cent on their "net

worth." Nor have the companies been uniformly liberal. Equity dividends declared by companies in three industrial groups (tobacco, miscellaneous manufacturing and silk and rayon) and in the two plantation groups (tea and rubber) are smaller than they were a year ago; the dividends received by shareholders in the clothing and footwear companies caught in this sample show no change at all, though profits are higher.

A marked change in the working capital commitments of industry has helped in unfreezing dividends. Stocks held by the 661 companies were £19.6 million lower than a year earlier, and in the same year "debtors" were reduced by about £3 million. Funds

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published Oct. to Dec., 1953		Reports Published Jan. to Dec., 1953	
	661 Companies		2,701 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	238,155	225,800	1,612,445	1,486,604
Income from investments	13,272	13,245	98,502	99,213
Other current revenue	303	344	1,843	2,023
Non-recurring credits	12,350	20,627	49,937	79,210
Total income	264,080	260,016	1,762,727	1,667,050
Repairs and maintenance	2,310	2,566	9,618	9,798
Depreciation	54,173	36,193	235,391	245,947
Income tax (excl. profits tax)	91,052	88,334	567,004	590,254
Profits tax	28,847	20,554	208,988	127,483
Directors' emoluments	9,943	10,049	49,657	49,235
Administrative charges, etc.	4,447	4,966	26,517	29,054
Contingencies, provisions, etc.	17,706	13,484	143,232	95,476
Pensions	3,554	2,542	24,993	21,398
Minority share in profits	1,250	1,165	19,487	18,196
Profits retained by subsidiaries	15,162	15,601	116,308	103,707
Debiture interest	6,167	6,630	29,365	33,715
Preference dividends	5,222	4,852	32,964	32,607
Ordinary dividends	24,461	27,632	156,351	171,528
Revenue reserves	17,823	20,422	122,912	116,132
Brought in (parent company)	45,132	47,075	252,576	271,438
Carried forward (parent company)	47,075	52,101	271,438	294,338

ANALYSIS OF BALANCE SHEETS

Published October-December, 1953 (£'000)

	661 Companies		661 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Capital (Parent Companies)				
Debiture	154,171	161,252	776,447	831,935
Preference	158,193	159,582	196,184	221,397
Ordinary	306,487	325,547	881,263	610,538
Reserves and Surplus	618,851	646,381		
Capital reserves	142,963	151,186		
Rev. res. and carry forward	834,036	372,751		
Total Capital, Reserves and Surplus	1,095,830	1,170,318		
Outside interests in subsidiaries	23,628	24,436		
Current Liabilities and provisions				
Bank loans	71,391	63,811	440,163	429,590
Creditors, etc.	400,810	402,020	283,718	280,536
Future taxation	89,712	88,819	22,328	33,153
Other provs.	24,715	21,098	112,754	112,924
	586,628	575,448	1,036,199	1,060,448
	1,706,086	1,770,202	1,706,086	1,770,202

PROFITS AND EARNINGS BY INDUSTRIES

(£'000)

	661 Companies			
	Total Income		Earnings for Ordinary Capital*	
	Previous Year	Latest Year	Previous Year	Latest Year
Consumption Trades				
Breweries	32,576	33,828	7,175	8,915
Clothing and footwear	2,944	4,579	77	930
Entertainment	633	702	Dr. 17	Dr. 26
Food and confectionery	16,379	15,606	3,398	3,058
Hotels and restaurants	771	804	123	165
Shops and stores	5,721	5,704	801	1,550
Tobacco	192	74	5	Dr. 8
Total	58,216	61,297	11,562	14,384
Capital Industries				
Building	9,668	9,761	2,084	2,537
Engineering	21,240	20,704	4,822	5,845
Iron and steel	17,421	14,796	4,899	5,385
Shipbuilding	3,529	4,178	746	1,101
Total	51,858	49,439	12,532	14,868
General Industries				
Chemicals and paint	3,148	4,261	Dr. 511	Dr. 24
Electrical manufacturing	9,051	8,746	2,256	2,225
Motors, cycles and aircraft	42,477	45,825	10,436	12,735
Newspapers, paper and printing	5,170	4,766	991	1,340
Miscellaneous manufacturing	27,448	22,352	6,757	5,213
Total	87,288	85,950	19,929	21,489
Utilities and Services				
Canals and docks	987	812	77	76
Electricity supply	6,751	3,375	1,276	1,130
Gas	...	...	...	...
Shipping	...	...	...	...
Telegraph and telephone	1,288	1,232	378	326
Trams and buses	2,111	2,499	402	559
Warehousing	...	...	...	...
Waterworks	...	...	...	...
Total	10,137	7,918	2,133	2,091
Textiles				
Cotton	9,063	8,724	2,892	3,919
Silk and rayon	973	697	112	87
Wool	2,338	1,876	578	744
Other textiles	4,056	5,092	800	1,015
Total	16,430	16,389	4,182	5,745
Fuel				
Coal	2,147	2,694	448	748
Oil	13,944	13,903	2,706	3,687
Total	16,091	16,597	3,242	4,435
Plantations				
Rubber	7,619	4,506	1,271	...
Tea	2,418	2,418	61	...
Total	10,037	6,923	2,050	1,305
Finance				
Finance and land	7,358	6,394	1,677	1,920
Trusts	6,665	7,110	2,168	2,424
Total	14,023	13,504	3,799	4,344
Total, All Groups	264,080	260,016	89,389	68,681

* Includes amounts retained by subsidiaries attributable to parent company.

were thus released for fixed capital investment, though not, it seems, urgently employed, also to reinforce liquid balances. These 661 companies reduced their bank overdrafts by about £8 million, added about £11 million to their investment portfolios and about £36 million to their cash balances. The December quarter companies pursued liquidity rather than new investment in stocks and plant or dramatic increases in dividend payments.

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The differing experience of these industrial groups in last quarter's analysis is set down in detail on pages 269 and 270 of this issue. With the exception of the tobacco and oil groups, the sample is sufficiently wide to justify generalisation. Against the general trend, ten of the twenty-three groups have reported higher trading profits. These ten groups can be divided into two categories. First, there are the capital goods groups—notably building, shipbuilding and motor and aircraft manufacture—which continued to prosper throughout the 1951-52 recession and whose profits have so far been bolstered either by the indirect aid of the Government (through, for instance, the defence and housing programmes), or by the continued existence of demand accumulated from the war years. In the second category (which includes the brewery, clothing and footwear, shops and stores, "other companies," chemicals and paint, wool and other textile groups) fall those industries that suffered a loss in trade and losses on stocks in 1951 and 1952 and have since benefited from the recovery in demand.

For some industries the recovery has been slow and painful; companies, for example, in the cotton and silk

and rayon groups still report a fall in profits. Nor, on the other hand, can the boom in all sectors of the capital goods industries go on for ever. Indeed, light and heavy engineering companies (grouped in this analysis as "engineering" and "iron and steel") have reported a drop in earnings. Profits earned by these companies climbed so high that a fall was inevitable, but this decline must have been associated with a slackening in orders. It may be significant that the engineering and iron and steel groups—to say nothing of the shipbuilding group which still shows a rise in profits though orders are waning—show increases in stocks and work in progress concurrently with a fall in profits. But a rise in stocks is not always involuntary; the wool group seems to have reached a deliberate decision to re-stock to meet future demands.

Profits as a whole have turned the corner, not with the slick precision of the racing motorist, but rather with the uneasy fumbings of the learner driver. They should accelerate now that a further increase in industrial production has shifted them into a higher gear. But the quickest get-away is likely to be shown by companies in the consumption trades which were badly hit in the recession; profits earned from the sale of capital goods will respond less readily, if at all. The brake on earnings in general, which is likely to be applied by rising costs (especially wage costs), by stiffer competition in the world's markets, or by the backwash of an American recession, may not occur until after the end of March. There should be impressive profits announcements during the next six months, and some further increase in dividends. But these six months will not be a time for counting blessings so much as a time for trying to penetrate the future—which may not be easy.

Safety in the Mines

It is said in the coal industry that on at least one occasion in the thirties a colliery management was convicted of a breach of a particular mining regulation that had in fact been amended out of existence some time before—and nobody noticed. The tale may be apochryphal. But the safety code in British coal mines is still formally based on a 43-year-old statute which in some respects was out of date when it was passed, and which has since become so encrusted with amendments and new interpretations that on many occasions mining practice even an expert may have to guess what the law really says. The Coal Mines Act of 1911 was designed for an industry in which coal was won at the point of the miner's pick and composed of 3,000 mines owned by some 1,500 companies. The Mines and Quarries Bill that came up for second reading in the Commons this week is designed primarily as a

framework for safety regulation in an industry in which 80 per cent of coal is cut by machine, composed of 900 pits with one owner, the National Coal Board—which, incidentally, has its own safety organisation, employing about three times as many officials as the mining inspectorate.

It was the steady change in organisation over 30 years, even more than the transformation in technique, that made the 1911 Act obsolete. Even when it was passed, in the days when a typical colliery company owned one or two mines, the Act's neat division of responsibility for safety in mining between a trinity—owner, agent, and manager—had to be strained to suit the facts. The assumption that an owner bore no responsibility for the technical operation of a mine was always in part a legal fiction—for even the decision that coal shall be worked at a given cost, in a given mine,

is a decision that governs technique. But between the wars, as more and more of the country's coal production began to be concentrated into the hands of large combines that set up common technical services for the mines under their control, the legal convention, under which the single mine manager—captain of the ship—took undivided responsibility for all technical operations within the pit, corresponded less and less adequately with mining realities. With the biggest amalgamation of all, the National Coal Board, the common services proliferated, particularly in connection with the massive technical reorganisation of the industry; and, inevitably, more of the decisions were taken out of the manager's power. Yet these changes in the making of decisions were not accompanied by a re-allocation of legal responsibility for the possible consequences of those decisions. In practice, as Knockshinnoch tragically showed, the effect was sometimes to remove the real responsibility from the manager but to put it nowhere else.

The new Bill goes as far as the Ministry of Fuel and Power could be expected to go in letting mining responsibility fall where the power is exercised. It does not, as has been proposed, adopt any principle that the man responsible for a decision, far up perhaps in the Coal Board hierarchy and far away from the mine where safety may be affected, shall take full responsibility. But it allows the owner—and though the Bill deals with other mines and quarries, these provisions are essentially addressed to one owner, the Coal Board—to appoint specific persons to secure the fulfilment of his responsibilities for safety under the Bill; it leaves prime responsibility with the mine manager "subject to any instructions given to him by or on behalf of the owner"; and further it safeguards the manager by giving him a right to refuse to execute instructions from above until these are confirmed in writing by a specially authorised, and qualified, superior. The legal responsibility is thus still focused on the individual manager; but if his superiors in the line of production management or experts on the technical staff are authorised by the Board to take overriding decisions, they may have to bear the legal responsibility for doing so.

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This redistribution of mining responsibility is the most important way in which the new Bill brings mining safety laws up to date. To meet the technical changes that have occurred and will go on, it couches many of its main safety rules in terms of principle, leaving the details to be filled in by regulations made by the Minister. This will involve the Ministry, if and when the Bill becomes law, in producing a body of regulations that will reproduce the existing safety code in mining, amended and in some respects extended as it sees fit in the light of modern mining conditions. This delegated legislation—not, by the way, to be subject to Parliamentary prayer, though the Minister is enjoined to consider objections from the persons affected—can

thus be amended at his will to suit the development of mining technique. Parliament, like the mining interests who were consulted last year before drawing up this Bill, is thus being asked for broad approval of a safety code it has not seen yet—and of which, for example, the cost cannot yet be estimated.

The financial memorandum to the bill states "as this is essentially a revision of the existing Acts, it will not result in any foreseeable increase in expenditure." That is true for the Government. For mining operators such as the National Coal Board, there seems no doubt that it will mean a considerable increase in expenditure. The widened legal responsibilities laid upon operators for the prevention of dust and the safeguarding of underground haulage systems, for example, may be costly; moreover, some of the bill's provisions may have the effect of placing the mineowner almost in the situation of an "automatic insurer against any foolishness or mischance that occurs from portal to portal" without specifically saying so.

This bill, which for the first time lumps coal mining in with the other mining and quarry industries of the country, is a bill that ordinarily might be expected to be improved in the committee stage; it is in fact to go to standing committee. But the form in which it is laid out, setting broad principles rather than detailed implications, may make the framing of useful amendments particularly difficult. Moreover, such expert opinion as may be applied to it in committee may be rather lopsided. The miners have many members in Parliament; the colliery managers can probably find a friend or two; and mine and quarry owners outside coal may find a voice to put their points of view. But the largest mineowner in the country, the National Coal Board, has few friends in Parliament; neither its present masters nor its ideological allies are likely to put its point of view where it differs—legitimately—from Government or miners.

The Coal Board was of course consulted on the general principles of this bill, and will be consulted when detailed regulations are being drawn up. It has certainly given no public hints of its own reactions to the bill as published. No doubt it feels itself precluded from doing so, though the point of etiquette is a new one. Yet when expert opinion is brought to bear on so technical a bill, it is anomalous that the largest employer concerned—which will bear, or pass on to the consumer, most of the eventual cost—should be the only interested party unheard. Perhaps those members who as former coal-owners have so long been the most searching and expert Parliamentary critics of the National Coal Board, may once again represent the point of view of colliery ownership upon the safety code suited to British coal mining in the second half of the twentieth century. Nobody doubts the need for the utmost safety in mining; but the country needs to know how the search for greater safety should be combined with efficiency and innovation—and rather more than it has learned so far about the cost.

Business Notes

Blur from Sydney

THE agreed communique issued by the Commonwealth Finance Ministers at the close of the Sydney conference at the end of last week has done a little, but only a very little, to clear up the confusions caused in London by the cabled reports—reports varying apparently from the official but garbled to the semi-inspired and the merely guessed—while it was sitting. This unfortunate result is a sad commentary upon the arrangements made for releases of news or "background" information. In the circumstances, it is perhaps understandable that London officials are now reluctant to comment upon the earlier reports, and instead take their stand solely upon the one communique to which the Ministers formally subscribed. But this attitude simply makes the confusion the more tantalising. For the earlier reports, undependable though most of them undoubtedly were, had seemed to promise some reasonably clear-cut information and some quantitative assessments, whereas the actual communique is not noticeably less vague than such documents customarily are.

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That, as the first article in this issue emphasises, is unfortunately especially true at most of the points at which the communique approaches the widest issues of sterling area policy—notably the attitude that the Commonwealth would hope to adopt in the event of any considerable intensification of pressure from an American recession. The communique emphasises that the Commonwealth's aim, if there is "some uncertainty about the future" (how masterly an understatement that is), would be to "inspire confidence" and "sustain production and trade and sound development"—but gives no hint at all of the steps it would take in pursuit of these objectives. On a few of the matters it does, however, provide some more intelligible pointers. The most notable of these suggests a shift in the priorities attached to dollar exports. Although the conference is said to have put "earliest main emphasis" on dollar earnings and although it stresses that there must be no relaxation of efforts to achieve a dollar surplus, it affirms that "it is just as important today that we should earn a substantial surplus in other non-dollar currencies." There must be "intensive efforts over the whole field of exports." In its consideration of this and all other efforts to strengthen the balance of payments of the Commonwealth, the conference virtuously puts emphasis upon the importance of realistic domestic policies. It acknowledges that in this context "more remains to be done"; but then says that "our Governments will continue to follow the policies which have served satisfactorily in the past year." Obviously no great change in policy is in contemplation anywhere, though there may be some "adjustments."

Finance for Development

THE one point at which the confusion caused by the earlier reports has been best dispelled is that of Britain's role in the finance of Commonwealth development. The concession that Britain has made in its attitude towards lending in the Commonwealth does not, as some had expected, promise a wide opening of the door to the London market. It is precisely of the limited kind surmised in these columns last week. Approaches by Commonwealth Governments for loans need not now be limited to specific projects but may relate to borrowings "in support of general programmes of development." But these programmes, to be eligible for finance from the London market, will still have to conform to the "general policy of concentrating on the improvement of the sterling area's balance of payments" and will have to be backed by an "adequate contribution" from local resources. In principle, the basic conditions for finance from London are maintained, but in practice the overseas governments will encounter some latitude.

The Chancellor himself, however, has apparently since made it plain that there is no intention to make new cuts within Britain in order to provide the export resources needed to give substance to this "special effort" in Commonwealth finance. That being so, the chances of any substantial expansion of British lending are in fact virtually identical with the chances of expansion of Britain's own production and of at least the maintenance of present competitiveness of British goods. Neither the would-be borrowers nor the British authorities should be under any illusions about the extent of those chances now.

The communique gives no estimates of the target surplus that Britain would like to reach to permit its full participation in Commonwealth development overseas. Nor does it venture upon any forecasts of the sterling area's balance of payments as a whole, so that the estimates that figured in last week's message are left without confirmation; but it has been indicated in London that the surplus for the twelve months to mid-1954 is expected to be about £200 million less than in the previous year. In the communique itself the only quantitative statements relate to the past—to the estimate that in 1952-53 the sterling area had a total surplus of "over £400 million" on its transactions with the rest of the world, compared with a deficit of nearly £1,000 million in 1951-52.

Realism from the Bankers

SEVEN of the annual surveys from the chairmen of the leading banks have appeared during the past week. They reveal, as usual, a wide area of common ground, as

well as some notable differences at particular points. But on one vital issue their unanimity stands out strikingly. Britain's evident progress during the past year, which all of them acknowledge, has not soothed any of them into complacency. On the contrary, in tones of varying urgency, they all utter warnings—necessarily, they are familiar ones—for the future. Perhaps the most austere analysis is that from Lord Balfour of Burleigh, chairman of Lloyds Bank, who in the course of a comparative survey of experience after the two world wars shows that since 1950 Britain's record of production and exports has compared unfavourably with that of other Western European countries. He attributes this lag, and many deep-seated maladies of Britain's economy, to over-taxation and "creeping" inflation—and obviously regards both conditions as still present. The prospect, he says, "must still occasion grave concern until productive investment at home has been greatly increased and until a substantial and enduring external surplus has been built up."

Mr A. W. Tuke, of Barclays, appears to deny the continuance of inflation, yet his warning is hardly less severe. He emphasises that if another series of claims for higher wages for the same work is conceded, "we may be thrown back into a state of crisis caused quite simply by the impossibility of selling our manufactured goods abroad." He also remarks that the progress of the past two years may all be wasted unless the government tackles the problem of its expenditure in a "sterner and more businesslike way." This question of retrenchment—which leads him on to a cogent plea for incentive reliefs in taxation, especially for the middle classes, by way of concessions in earned income allowance—is Mr Tuke's main theme; but, like the wages problem, it also figures in the statements from the other chairmen.

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The distinctive feature in a vigorous maiden address from Mr D. J. Robarts, the recently elected chairman of the National Provincial, is an uninhibited plea for sterling convertibility "as soon as practicable." Mr Robarts does not regard the uncertainties about America's policies as any sufficient excuse for inaction by Britain—which he exhorts to be a "good debtor," notably by "rooting out the inflationary tendencies which still persist." To secure the vitally needed expansion of exports, he contends, it is above all necessary for British exporters to be able to quote firm prices, without "escalator" clauses; and argues that they cannot unless Britain has a stable system of prices and exchange. Lord Harlech, of the Midland Bank, takes the more general view that convertibility must wait upon America—and he then leaves it rather in doubt whether he would approve such a step even if the wider circumstances were propitious. Again, after surveying the several phases of British monetary policy since 1931, he contrasts the present phase of "partial" internal flexibility, combined with a fixed exchange parity, with the prewar phase of (more or less) fluctuating exchange rates combined with cheap money. Given the uncertainties of the balance of payments, the insufficiency of productive investment and the rising trend of consumption, he regards the recent efforts of the Government to liberalise the economy as "a striking act of faith"—which will not be justified unless Britain exerts "all the energy and resourcefulness that can be mustered" in support of exports and competitive power.

From Exports to Bids

THE problem of exports fittingly plays a particularly prominent part in the statements from two of the three northern banks—the District and Williams Deacon's—whilst Mr A. H. Bibby, of Martins, takes this same problem as the starting point of his reasoned plea for tax reforms to promote incentive. Like Mr Tuke, he asks for a withdrawal of the limit upon earned income allowance; and considers that there will be no "realistic" incentive until the effective top rate of taxation is not more than 25 per cent on incomes of up to £20 a week and not more than 75 per cent on incomes in the higher categories. In a rather disquieting survey of export prospects, Sir Eric Carpenter, of Williams Deacon's, makes the important point that the past year's relatively good showing arises from orders received some time ago; now orders are harder to get. He is convinced that an "era of intense competition" lies ahead. This feeling is plainly shared by Sir Thomas Barlow, of the District, who regards trading conditions as "exceedingly difficult." Sir Thomas's deduction from the experience since 1951 is that "no major group of our exports appears to be really strong enough to hold its own against external pressures"—a conclusion that enables him to reiterate, in slightly altered form, his earlier championship of the manufacturers of consumer goods, including a scrapping of purchase tax. He believes that these goods may be saleable abroad when capital goods are not. It is a tenuous argument; but it is understandable that the textile industries, which Sir Thomas obviously had in mind, should feel strongly both about purchase tax and about the priorities that have at times been given to exports of capital goods.

Amid the wealth of good counsel from the bankers two oddities stand out. In a reference to the vexed issue of "take-over" bids, Mr Bibby admits that some of these are "obviously economically sound propositions"; but he then goes on to affirm that too often the "victims" are companies that have virtuously responded to dividend restraint and have financed expansion by plough-backs instead of by competing for capital in the open market. But—to counter a dubious generalisation by a safer one—if these pre-empted resources are successfully employed to yield their best economic return, the companies never will be, or need not be, "victims" at all, for the bidder will be defeated. But if the assets are not yielding a proper return, then even the bidder who "merely" wishes to take possession of them will generally be performing an economic service to the community. The other oddity comes from Mr Tuke. He is alarmed that the financial pressures upon private businesses (with which almost everyone now sympathises) may give opportunities to a "mere financier" to buy a business and make a "handsome" profit by reselling it. This, he fantastically declares, "is the apotheosis of the spiv, and the damnation of honest business men." Can such ideas be made to flow beside closely-reasoned pleas for incentives, for the freer economy, and for productivity?

Terms of Trade Improve

AFTER four months of stability, the terms of trade bowed out 1953 with one more dip in Britain's favour. A decline of one point to 85 (1952=100) in the index of

import prices, coupled with the maintenance of the export price index at 96, reduced the terms of trade by one point to 89. The fall in import prices reflected mainly a drop of two points to 93 in the index of food imports, owing to seasonally lower prices of fruit and vegetables and lower prices for grain. The favourable movement in the terms of trade, which can take most of the credit for the improvement in Britain's balance of payments, was almost continuous between May, 1951, and May, 1953. During this time the index fell from a peak of 114 to 91. Since then the movement has been slight. It would be unwise to expect the decline to continue; and for the sake of Britain's exports a marked decline might even be undesirable. The fall in import prices has naturally been greatest in raw materials, thanks to the collapse of the Korean boom in commodity prices. The price index for imported raw materials—over one-third of Britain's total imports—fell from a peak of 125 in May, 1951, to 80 in June last year, and has since been almost stable. Between 1952 and 1953 the volume of Britain's imports of raw materials is estimated to have increased by one-tenth to a record high level, but the value, at £1,284 million c.i.f. in 1953, was £426 million lower than in 1951 (when the volume was greater than in any previous year), and £114 million lower than in 1952. Apart from textiles, prices of exports have not dropped far below their peaks. The index of metals and engineering exports, which together account for about half of Britain's export trade, has fallen by only four points from a peak of 103 in December, 1952. The index of "other manufacturers" has fallen by 12 points from a peak of 103 in June, 1952. The index of textiles, which soared to 121 in September, 1951, fell to 91 by November, 1952, but had recovered to 94 by September last year, and rose—perhaps ominously—by a further point in December.

Bigger Coal Exports

BRITISH selling achievements in the export field can be judged by quantities as well as by values. Unfortunately, quantities are not uniformly available over the full range of British exports, but it is possible to pick a number of trades where the upward trend in exports has not been broken. These include coal: exports reached their highest postwar figure in 1953 at just under 14 million tons and the rise of the last three years has been encouraging—from 7.8 million tons in 1951 and 11.8 million in 1952. In post-war trade negotiations coal exports have often been a bargaining counter to be offered where they would bring back the best return in the kind of imports Britain needed. The figures still show traces of that phase. Denmark remained the biggest customer for coal. But Italy has become the second largest and British coal exports to Western Germany have jumped by nearly 1 million tons. Steel has also enjoyed a strong export demand. Exports for 1953 were 2,639,357 tons, compared with 2,498,689 tons in 1952 and 2,602,634 tons in 1951. The modest setback of 1952 was thus more than made good. Exports of refined petroleum, too, pulled more than their weight, rising (in figures not very often used by oilmen) to 1,832 million gallons in 1953, compared with 1,305 million gallons in 1952 and 775 million in 1951, a product of the great expansion in the British refinery industry.

In a further big group of British exports consisting largely of consumer goods the 1953 recovery was sharp and welcome, but the whole of the 1952 setback was not recovered. The woollen group provides a useful example. These exports amounted to £139.8 million in 1953, compared with £123.9 million in 1952, but with £178.6 million in 1951. Quantities are not available throughout the group but in certain main classes, such as carpets, woven worsted fabrics and woven woollen fabrics, the recovery was only partial. The cotton figures were much more disappointing. They showed a further decline in value and, so far as the returns particularise, in quantity too. The group total was £133.4 million, compared with £148.0 million in 1952 and £209.4 million in 1951. The biggest item, woven piece goods, dropped from 864 million square yards in 1951 to 711 million in 1952 and 709 million in 1953.

The Comet under Scrutiny

THE statement that the Minister of Civil Aviation made in the House of Commons about last week's Comet disaster off Elba was intended to stop further speculation about the cause of the accident until the court of inquiry has made its report. It is not likely to have any such effect. Mr Lennox-Boyd confirmed reports that since the wrecked aircraft lies outside Italian territorial waters, the inquiry will be carried out by the British government, and when pressed, said that he agreed with the chairman of British Overseas Airways Corporation that sabotage could not be ruled out as a possible cause of the accident. No amount of pleading that "no more importance should be attached to this particular aspect than to many causes as much, but no more, important" can undo the effect caused by the open references that have been made to possible sabotage during the past week. It appears to be fairly firmly established that an explosion took place inside the aircraft, and the opportunities for such an explosion having been caused by any of the aircraft's accessories are few. Should it be possible to rule these out as the source of the explosion, it would not be the first time that evidence of deliberate sabotage has been found in a civil airliner.

It was with the same object of checking speculation about the soundness of the Comet's structure that the Royal Aircraft Establishment at Farnborough took the unusual step this week of giving an interim report on its examination of the Comet wreck recovered at Calcutta early last year. The wreckage consists of most of the Comet's tail, a number of crumpled pieces of metal that account for a substantial portion of both wings, and a few fragments of fuselage that escaped destruction by fire, including the sorry remains of one seat. These have been sufficient to establish that the two parts of the tailplane came off one after the other, floating down to escape serious damage. After that the wings broke and the fuselage crashed in flames. This confirms the general conclusions reached by the Indian court of inquiry, and goes beyond it by providing conclusive proof that there was no structural weakness in the tail or anywhere in the aircraft. The tail broke because it was subjected to an abnormally, or rather unexpectedly, heavy load that could only have been caused by "conditions in the atmosphere"—that is by the storm. A great deal of

work still remains to be done, but whether it will ever be possible to get to the bottom of the matter, and find out how heavy a load was applied to the tail and how abnormal it was, is doubtful when one critical piece of data, the forward speed of the aircraft, will never be known.

★

The importance attached by the RAE to these conclusions is not merely due to a desire to vindicate the Comet. The risk of structural failure from metal fatigue is the recurrent nightmare of all aerodynamicists concerned with high-speed, high-flying civil aircraft; military designers do not expect their aircraft to last long enough for fatigue to trouble them. Air gusts that apply sudden, intermittent loads to aircraft structures can, after a long period of time, cause this phenomenon of fatigue when the metal fails suddenly and without warning. Its onset cannot be detected by any method yet known. The RAE tests to destruction six complete sets of components of any new aircraft before a certificate of airworthiness is granted so that the life of the components can be predicted in advance, but this is a crude and unsatisfactory safeguard. An attempt has been made to build up a body of evidence by testing to destruction first 60 new Meteor tailplanes, using them as small-scale wing models and accelerating the normal loads experienced in flight, and later complete aircraft structures. The first Comet prototype is now undergoing the same process. The Comet is the first civil aircraft to be subjected to the severe air conditions of high altitude, still largely uncharted territory. On the results of the RAE's Comet tests, therefore, depends much of the future design of civil airliners.

Plans for Road Haulage

THE first sales of road haulage units back to private owners are not going very well, and the British Transport Commission is planning to develop the road services left to it under denationalisation with a proper commercial aggressiveness. Those are the implications of two separate statements on road haulage made this week; since the Transport Commission was concerned with both, the alarm of the private Road Haulage Association is understandable, though its public complaint was merely petulant.

In the first list of road haulage units offered for sale 217 of the 398 units on offer comprised vehicles only; they covered only 690 of the 3,154 vehicles in the whole list. The Commission and the Road Haulage Disposals Board stated this week that effective tenders had been received for 215 of the 217 "vehicles-only" units; the highest tenders had been accepted for 136 units totalling 350 vehicles, all tenders had been rejected for 65 units of some 300 vehicles, and decisions have still to be made about the remaining 14 units for which tenders were put in. So far, one further list of units for sale has been published and a third is expected shortly; but the three together will cover only about 10,000 of the 30,000 state lorries to be sold.

Last year's Act would leave the Commission with 3,500 of the haulage vehicles it now owns even if every other lorry is sold to private owners. The Transport Commission has now announced that it intends to act as a general clear-

ing-house for road services even after the resale is completed, booking orders and passing these to its own or private haulage operators. This is obviously a convenient arrangement during the possibly long-drawn-out period of disposal; whether it will be acceptable to customers and to private operators after that remains to be seen. The Commission plans to operate the vehicles it has left in three groups, as a general haulage fleet, as "Pickfords" for moving furniture and special indivisible loads, and as at present on exclusive hire contracts to particular traders. It has encountered a legal difficulty over the vehicles that it has out on contract: though the Act may require it to sell them, it has no power to compel a trader to give up the contract, or to transfer that contract to any new owner of the vehicles. The Commission's statement referred once again to the "Carter Paterson" network of railway feeder and delivery vehicles, which it cannot retain under the Act. It is discussing with the Disposals Board the possibility that the section of the Act allowing new companies to be set up "to avoid disruption" might be used here.

Green Light for VHF?

THE report of the Television Advisory Committee on the future of sound broadcasting in the very high frequencies will be read with approval by BBC engineers who have ambitions for 51 new sound broadcasting stations on VHF and who are known to favour the use of the frequency modulation system, as opposed to the existing amplitude modulation, for those services. The Committee's majority report is overwhelmingly in favour both of VHF transmissions and of the use of frequency modulation; it agrees with the BBC that while VHF is an "unwelcomed complication" it is necessary to supplement the now inadequate sound services provided on long and medium waves.

In a minority report, however, Mr C. O. Stanley, one of the two radio industry representatives on the Committee, dissents strongly and at some length from the views of his colleagues. He is not wholly convinced even of the necessity for VHF transmissions; as a radio manufacturer he no doubt has in mind the reaction to sets roughly one-third dearer than at present or to the adaptors costing £5 to £15 that would be needed to convert existing sets to VHF. If VHF services are inevitable, Mr Stanley pleads for caution in introducing them, and suggests that the television services should be the first candidate for attention. There are indications that he is far from happy at the decision to allocate the comparatively narrow Band 11 to VHF sound broadcasting, or with the Committee's plan to leave the police and fire services in undisturbed and undisputed tenancy of the most valuable wavelengths on that band. But his major difference with the Committee's report is on the question of FM as opposed to AM. All existing sound broadcasting, including that on present and future television sound channels, uses AM, and Mr Stanley sees no reason to introduce an alternative system. The Committee decided in favour of FM because it was technically more satisfactory, and is also considerably cheaper. The estimated investment involved in providing AM transmitters to give the same coverage as the proposed 51 FM stations would have been £9 million as opposed to £3.5 million for FM and running costs £2 million as against



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It is not surprising that food production is lower than we want, that costs are high, that many farmers and farm-workers find life a hard struggle for bare existence and that there is a dangerous drift from the land. Yet what is done to help? Farmers farming good land are crippled by super-tax. Those needing capital for expansion are subjected to loans at interest as high as 5%! Is this really the sensible way to get that vital extra food?

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£800,000 a year; these figures Mr Stanley challenges, but without producing estimates of his own.

Had Mr Stanley not been a member of the Committee, it is doubtful whether these objections would have obtained so full a hearing; even now it is uncertain how far his views are supported in the rest of the industry. His intervention may not prevent the Government from accepting the majority view of the Committee and allowing the BBC to go ahead, as it plans to do once permission is given, with its VHF programme; but it may mean that the programme will be scrutinised rather more closely and that may not be an unsatisfactory conclusion to the debate.

New Ideas for Gatt

A GALLANT attempt to rescue the General Agreement on Tariffs and Trade was launched by France in Geneva last October. The new plan for tariff reduction now has the support of Belgium, Denmark, Western Germany and the Netherlands also, and has now been made public with an explanatory pamphlet. It will need the adherence of all the main trading countries of Europe and North America. Any scheme which offers a hope of breaking the impasse into which the lower tariff plans fell after the unhappy session of Gatt at Torquay in 1950-51 deserves most sympathetic attention. And the French plan certainly offers a new approach.

Early postwar sessions of Gatt made progress by a long series of individual tariff bargains between pairs of countries. The reductions in tariffs at which they arrived were then extended to all through the operation of the most favoured nation principle. By the time the Torquay conference had ended it was clear that little, if any, further progress could be made along that road. The attempt was halted by a number of causes: British reluctance to cut further into the structure of Imperial Preference; America's failure to realise that a high tariff structure and a strong currency required correspondingly greater concessions; but probably the most potent cause was the fact that the low tariff group, of which Benelux is an example, found that they had nothing left to offer to the high tariff countries who would not accept the "binding" of existing low tariff duties as recompense for reductions in their own tariffs.

It is this third obstacle which the French plan tries to surmount. The proposal is for percentage tariff reductions all round in place of bi-lateral bargaining. Tariffs would be reduced by an average of 30 per cent (of their present incidences—not 30 per cent *ad valorem*) in three years by successive annual instalments. The participating countries would have discretion to make the reductions as they chose, but they would be obliged to spread them through the whole tariff and not concentrate them on a few items. To obtain this spread, the tariff of each country would be divided into main categories, such as primary foods, chemical products, etc., and the 30 per cent reduction would be applied to each sector. A ceiling, a floor, and a demarcation line are also proposed for each country. Where the existing tariff level is below the demarcation line a proportionately smaller reduction is required; where it is below the floor no reduction is required; where the duties are above the ceiling they have to be reduced to the

ceiling, but such reductions can be counted towards the 30 per cent cut.

The scheme has the merit of abolishing the bargaining advantage which the high tariff countries hold—a bonus on original sin which hampers negotiations. Under the French plan the highest tariffs suffer the greatest reductions. There are, however, the inevitable escape clauses which may weaken it—one to cover social and economic dangers, another for less advanced countries, and a third exempting purely fiscal duties. Like all previous schemes it will be difficult to adapt it either to the British Commonwealth preference system or the tariff reducing powers of the American Administration, but the chances should be explored.

Engineering Orders on the Decline?

"It is difficult to see from the shrinkage of order books that has occurred how the current rates of production can be maintained," said Mr Macarty, director of the Engineering and Allied Employers' Federation, at the court of inquiry into the engineering wages dispute last week. The federation had already produced figures covering periods of twelve months ending in May 1951, 1952, and 1953: these showed a decline of 8 per cent, in the total volume of orders placed, between 1950-51 and 1951-52, and a further decline of 25 per cent between 1951-52 and 1952-53. A similar comparison for export orders showed declines of 12½ per cent and 20 per cent for the two years preceding May last year. But no later statistics of orders in this form were produced when the inquiry was resumed this week, though the federation mentioned reports from some of its member companies that they had lost export business last year.

Some of the business lost, even last year, was lost on delivery dates; and the mirror-image of such a period of eating into order books as the federation has described is that an industry becomes progressively better able to offer fairly quick delivery. The year 1950-51, too, was one of somewhat hectic demand following the outbreak of war in Korea—and one during which customers were less prepared to rely on alternative sources of engineering products, other than America and Britain. Nevertheless, these somewhat shaded estimates of orders are disquieting, and emphasise the need for more regular statistics of the orders received in various major industries. The Ministry of Supply and the Board of Trade gather regular figures of orders for a number of industries, but very few are regularly published—the shipbuilding industry provides an outstanding exception, and indices of orders have occasionally been published, well out of date, for machine tools and for furniture.

It was argued in some quarters last year that the improvement in delivery dates that could be offered as order books shrink would act as "a kind of servo-mechanism" in enabling the less busy engineering industry to gain once more a better share of the business on offer. The large-scale flow of labour back into the engineering industries last autumn suggested that Britain might at last have been getting some such benefit, while Germany began to digest the orders it had obtained in 1951 and 1952 by offering

better deliveries. Certainly, there has seemed to be a genuine if not entirely general recovery, though the stimulation of home demand by the Budget for the consumer goods that the light engineering industries make may have been partly responsible. Mr Macarty's fears, however, reinforce the need for fuller and more up-to-date information about what business is really being obtained by the engineering industry.

The Atomic Industry

THE first full official account of the development and operation of Britain's atomic energy plants was published this week.* It is an absorbing, and occasionally an exciting record of a subject about which there has been a quite unnecessary amount of official reticence in the past. This book should go a long way towards sweeping away the fog of mystique and mistrust that impedes the layman's understanding of one of Britain's shining postwar industrial achievements.

The atomic industry is run by three men. Sir John Cockcroft, with his headquarters at Harwell, is responsible for the basic research. Sir William Penny, working at Aldermaston, has developed the military applications. The third atomic knight, Sir Christopher Hinton, is the man who has directed the designing and building of the atomic plants themselves, and who is responsible for their day-to-day running. It is this third aspect of the atomic industry that is covered in "Britain's Atomic Factories."

In 1946, Sir Christopher Hinton received what is described as "a brief instruction to produce annually a certain quantity of plutonium, to a given specification, in water-cooled piles," with no more guidance to work on than a handful of atomic formulae. He set up his headquarters at Risley, which has become the design centre for the new industry. The first step was to arrange for the production of the uranium charge to be used in these piles. A poison gas factory at Springfields in Lancashire (near Risley) was converted into a plant for producing pure uranium metal from crude ore. This is a fairly conventional operation,

* Britain's Atomic Factories. By K. E. B. Jay. HMSO. 5s.

The Atomic Factories

Harwell. The research centre for the whole atomic enterprise.

Risley. The design and planning centre for the atomic plants.

Springfields. An ore treatment factory converting crude uranium ore into cast rods of pure uranium metal for use by the Windscale and Capenhurst plants.

Windscale. Two atomic piles converting non-fissile uranium 238 into fissile plutonium 239 for use in weapons or future atomic plants.

Capenhurst. A gaseous diffusion plant converting uranium metal into the gas, uranium hexafluoride, in order to increase its content of fissile uranium 235 atoms above normal proportions. This "enriched" uranium, back in the form of a metal, will be used, like plutonium, either for weapons or atomic plants.

Aldermaston. Development centre for atomic weapons using either plutonium 239 from Windscale or enriched from Capenhurst.

distinguished only by the unpleasantness of uranium as a working material, and by the need for a quite exceptional degree of purity in the finished product. This plant was completed and in operation within 2½ years from the beginning of design work in 1946.

The Great Achievement

THE design and construction of two plutonium piles at Windscale in Cumberland presented the atomic engineers with their first major challenge. There was no time to spare for pilot-scale experiments; for better or worse they had to work out detailed blue-prints with nothing more substantial than laboratory experiments to guide them. Once the basic design of the piles had been settled in 1947 (there were several theoretical alternatives to choose from) it took roughly three years before the piles "became divergent." The total absence of any engineering data about the work that faced these engineers is possibly the most striking feature about the whole atomic enterprise. When the Windscale piles were being planned, the only two plants of their kind in the world were both in the United States, and since the British atomic scientists working in North America during the war had almost nothing to do with their design, there was little that they could contribute on their return home.

Windscale was essentially a construction job. Its main engineering features involved the actual handling of the intransigent materials out of which the pile is built; the design of control gear for inserting and withdrawing the uranium charges that form the raw material for plutonium production; the design of safety controls to shut down this silent furnace should there be signs of it becoming dangerously hot; and the problems concerned with blowing vast quantities of cooling air through the piles (the idea of water cooling had by then been dropped) and drawing it away through 4 15-foot stacks so that the radioactivity collected in the pile could be safely dispersed.

The third big installation, the gaseous diffusion plant at Capenhurst in Cheshire, was a different and far more difficult proposition. The purpose of the plant is to produce "enriched" uranium that contains a much higher proportion of the fissile atoms of uranium 235 than is normal. In order to alter these proportions, which are roughly 1:140, the uranium metal is turned into a particularly virulent gas, uranium hexafluoride, which is pumped through a fantastic system of chambers separated by membranes through which the gas is filtered. The fractionally lighter atoms of uranium 235 move through the membrane a little faster than the heavier uranium 238, so when roughly half the quantity of gas in any one chamber has passed through the membrane the balance is drawn off and re-circulated until what emerges at the end of the process is a highly concentrated form of uranium 235. These gaseous diffusion plants—there is one other in the United States—are among the engineering wonders of the age, operating over immense areas in a total vacuum (a major feat of chemical engineering), performing a process in which individual atoms are the standard unit of measurement, and using one of the most corrosive and formidable materials known to science.

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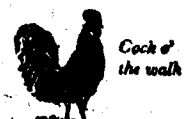
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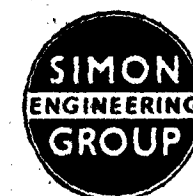
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With this achievement behind it, representing an investment of more than £100 million, the Risley engineers now face the task of designing atomic power plants and of planning the future capital investment of the atomic industry. The official account of their work is one of the most important (and but for the size of its type, the most readable) accounts of how an industry sprang, fully grown, from the dragon's teeth sown at Hiroshima.

Private Trading in Tungsten

PRIVATE trading in tungsten, the mineral that is used in the manufacture of high-speed steel and other cutting tools, may be restored in the next two or three months. The most suitable method of reversion is now being discussed between the Ministry of Materials and the trade. The main problem is to arrange for the Ministry to be relieved of its surplus of tungsten, and for private imports to begin again, without appreciably affecting the market. Supplies are still heavily in excess of demand and the Ministry's price, which is based on the European market, has fallen in the last two months by another 80s. to 165s. a unit (of 22.4 lb) for wolframite. But the sudden transfer to the open market of the whole of Britain's requirements, which are now met from official stocks, might conceivably stiffen prices.

It is therefore probable that both the trade and the Ministry will favour a gradual reversion to private buying. Consumers could be allowed to import, provided that they bought a proportion of their total requirements from the Ministry at the market price. Such an arrangement would smack of a "conditional sale," but it would be free of its usual objection, for consumers would be buying an identical article from the Ministry and not, as sometimes happened with plywood, a specification that they did not want. Initially, when consumers were arranging their forward contracts, the proportion of purchases from the Ministry could be high, and could later be progressively reduced as shipments against those contracts were made. The Ministry may, however, have to guard against its prices being talked down. The "market price" of tungsten tends to be somewhat conjectural—especially at present when the market is so thin—and consumers might show a very human inclination to understate the price at which their private purchases were made.

Apart from tungsten, raw jute and jute goods are now the only commodities still in the Ministry's hands, and it is unlikely that they will remain fettered for long. It is surely time for Lord Woolton to announce plans for the winding-up of his Ministry. The number of commodities that have been freed in the last year suggests that this department must be heavily under-employed.

Eastham Oil Dock

THE problem of providing berthing and dock accommodation for the large sizes of tanker that are now coming into service is exercising the minds of many oil

companies, port authorities and dry dock owners, particularly in the United Kingdom. The shape of things to come is outlined by the opening of the new wet dock for large tankers at Eastham, near the entrance to the Manchester Ship Canal. Built by the Port of Manchester at a cost of about £5,500,000, the dock has four berths, varying in length from 725 to 900 feet, with a depth of 40 feet alongside. The entrance lock is 807 feet long and 100 feet wide, which will take laden tankers of well over 30,000 tons deadweight, and the rectangular water area of nearly 19 acres gives plenty of room for turning. The new dock will handle a large volume of oil traffic, both imports of crude oil and exports of refined products, for the area is a huge concentration of oil refineries and installations.

There are several interesting technical features in the construction of the Eastham oil dock, work on which began in November, 1949. The entrance lock is controlled by three all-welded steel caissons, each weighing about 1,700 tons. These do not mitre, like normal lock gates, but slide sideways into recesses in the lock walls, operated by electro-hydraulic machinery; and the recess for the intermediate caisson has been made large enough to be able to be sealed off and used as a dry dock for the repair and maintenance of the other caissons. Culverts connect the dock with the Ship Canal, so that the level of water can be maintained without the need for pumping. An important innovation, so far as safety is concerned, is the provision of "oil weirs" in the dock. If oil should spill from a tanker in the dock a "reverse penstock" goes into action and sucks the surface mixture of oil and water into chambers in the dock walls, where the oil can be separated and reclaimed.

Rival Building Societies

FIGURES now arriving from the big building societies show that 1953 has been a year of most notable advance. Certainly that ought to be so, for there have been greater opportunities for housebuilding in the private sector, which is largely financed with building society money. Steadier interest rates and the steadier value of money may also have given investors a little more encouragement to provide the money that the societies lend on mortgage. But the general advance in building society assets conceals a thrusting race for third place in the movement. In the point of size the Woolwich Equitable has for many years come next after Halifax and Abbey National. Last year if the Woolwich society had been content to stand on its September 30th balance sheet it would have been overtaken by number four—the Co-operative Permanent—whose year ends on December 31st. But the Woolwich Equitable has announced its figures at December 31st too, showing that it was still leading by a short head, though the Co-operative Permanent was coming up strongly.

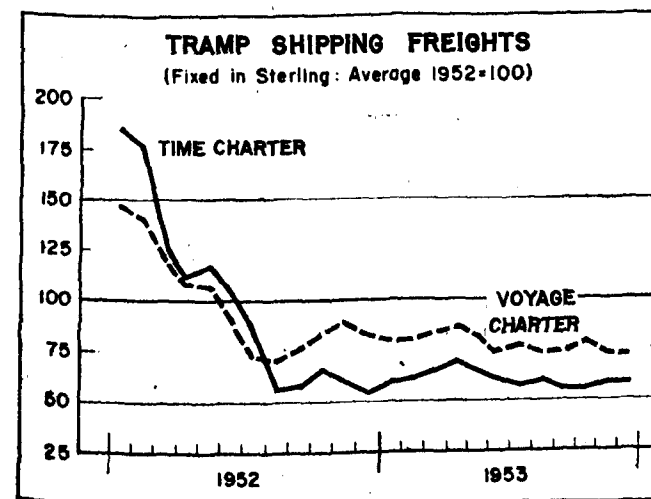
Both societies show record figures, the rate of expansion in the Co-operative being greater. The total assets of the Woolwich at December 31st were £89,156,102, an increase on the year of £10,382,865—in the three months since the balance sheet the society put on a spurt and increased its assets by £3,202,000. Co-operative Permanent shows total assets at the end of last year of £86,674,335, an increase of £11,928,141. Both societies can claim to have made their

full contribution to house buying by lending record sums on mortgage. The Woolwich advanced £17,516,326 in 1953 compared with £13,424,058 in 1952, while the Co-operative made advances of no less than £19,329,756 compared with £11,442,591.

These big new advances have been covered by net public investment plus the normal repayment of old mortgages in the Woolwich but not quite covered in the Co-operative. The Woolwich shows a rise of £9,456,707 in mortgage balances matched by a rise of £9,910,101 in shareholders' and depositors' funds. In the Co-operative a rise of £11,804,411 in mortgage assets is matched by a rise of £11,638,451 in shareholders' and depositors' balances. Therefore the cash and gilt-edged holdings which are the depositors' first-hand security have been more than maintained in the Woolwich but not quite maintained in the Co-operative which showed an abnormally strong position in the previous year. But the growth in the size of the two societies is affecting the proportion of liquid assets to shareholders' and depositors' money; in the absence of full balance sheets no exact calculation of liquid asset ratios can be made, but the figures so far available suggest that the Co-operative Permanent has reduced its liquidity ratio from the exceptional figure of 17.6 per cent a year ago to 14.9 per cent, and the Woolwich Equitable from 16.7 per cent to 15.9 per cent in the same period.

Declining Freight Rates

FOR the last three months of 1953 the tramp freight index compiled by the Chamber of Shipping has shown a steady decline, ending in December at 71.5 (1952 = 100), some way below the average of 77.5 for the whole year. The only commodity in the index for which freights did not decline compared with the previous month was esparto grass, which barely maintained its level at 70.3. The middle of the year is normally regarded as



the slackest season for voyage chartering, but the rates for all cargoes except esparto and timber were lower in December than in July. The decline from the peak of the Korean war continued throughout the year, although the rate of decline is diminishing. In some trades, however, the fall

in freight rates has been marked. In the first quarter Chinese charterers paid up to 102s. 6d. per ton for cereals to Europe, but lack of trade has since brought this down to 65s. Similarly, rice from China to Ceylon has fallen from 55s. to 46s., and coal from China to Chittagong from 55s. to 32s. 6d. Grain from Eastern Australia to Britain has fallen from 107s. 6d. to 80s., and sugar from Queensland from 137s. 6d. to 102s. 6d.

Activity in the time charter market was much lower than in 1952, and the Chamber of Shipping time charter index for December was 57.8 (1952 = 100) again lower than the average of 60.6 for the year. The ease with which the liner conference has been able to charter vessels for West African round voyages, to help with seasonal cocoa shipments, and the ease with which a spate of vessels has been fixed this week for grain from the Plate to Poland, both point to the continued weakness of the freight markets. But it would probably take a very heavy drop in the volume of trade to bring about any further general fall.

Another Uranium Boomlet

VIGOROUS but selective activity has again surged up in the gold share market. During the past week the London market has been steadily giving Johannesburg a lead and taking shares from Johannesburg. Probably also some of the mining finance houses have let a few shares go at rising prices. Big operators have been active but the imagination of the smaller investor has apparently not been excited. This may be as well for by Wednesday afternoon there were already signs that the market was moving irregularly. Still it has been an active week for South African mines; markings in the week ended last Wednesday amounted to 8,030 compared with 4,629 in the previous week and 1,692 in the corresponding week of last year.

This has not been one of the great shifts which move the Kaffir market as a whole. That kind of movement occurs only in response to a general change of view about the profitability of gold mining as a whole or about the price of gold. This time activity has been concentrated on the mines which are producing or about to produce uranium in conjunction with their gold and on the developing properties of the Orange Free State. It sprang up when the quarterly figures of the Anglo American group for December showed high OFS values and rising uranium profits. With a 7,518 inch-dwt crosscut of the basal reef Western Holdings has established the highest Orange Free State value yet shown from actual underground development. This was coupled with higher uranium earnings from Daggafontein and a first uranium profit of £228,000 from Western Reefs.

The market received its first check from West Rand's uranium profits announced on Wednesday and its second reverse from the colourless results shown by the Johannesburg Consolidated Investment group on Thursday. The "Johnnies" figures disclosed a fall in the payable reef development of Freddie's North. The West Rand statement brought to light a factor which the market had chosen to forget. Uranium profits rose to £204,176 in the

December quarter compared with £186,509 in the previous quarter. But gold profits fell, so that total profits declined from £438,014 to £419,084. The reason is that in order to boost uranium production the company is working gold and uranium ore which would not be payable on its gold values alone. The life of the mine naturally benefits, but some of the gilt comes off the uranium gingerbread.

SHORTER NOTES

The preliminary report of United Steel (for the 53 weeks to October 3rd) confirms all the forecasts made in the company's prospectus. A final dividend of 7½ per cent has been recommended on the £14 million equity capital, which with the interim dividend of 2½ per cent on a capital of £10,194,000 makes the full year's distribution approximately 9 per cent. The group's profits after depreciation have risen from £6,198,712 to £9,111,141. The directors warned investors in the prospectus that the 1952-53 profit was exceptionally high and that in the future a profit of about £6 million would be regarded as satisfactory.

Darwins recently bought from Iron and Steel Holding and Realisation Agency the Sheffield Forge and Rolling Mills company for £420,000. The statement of Mr Frank Thompson-Schwab to this week's extraordinary meeting of Darwins explained that the difference between the buying price and the figure of £275,982 for which Sheffield

Forge and Rolling Mills was nationalised was well covered by profits of over £150,000 retained in the business since 1949.

The price of copper, which seemed to bear a charmed life, has fallen sharply on the London market in the past two weeks. The decline was evidently set off by heavier offerings of lower-grade copper, and then accentuated by news of smaller sales in the United States, and by a not surprising official statement that Chile has been unable to sell all the new production of the American-owned mines in Chile. On Thursday, however, the market closed steady, with cash copper at £220 a ton, a fall of £11 10s. in two weeks, and three months' was £12 10s. lower at £209 10s.

Prices of cocoa, coffee and common teas have slipped sharply off their peaks in the last week. Accra cocoa for early shipment closed on Thursday at 390s. a cwt c.i.f., a fall of 60s. on the week. Brazilian "superior" grade coffee dropped by 88s. to 600s. a cwt, f.o.b. Santos, and then climbed back to about 630s. Clean common broken pekoe fell by 3½d. to 4s. a lb at the London auctions.

In the table of net changes in national savings since the war published on January 9th the figures were shown as being in thousands of pounds. They were in fact in millions of pounds.

Company Notes

F. W. WOOLWORTH. In the equity market it is the next dividend, and not the current one, that counts. This is certainly true when the equity commands a wide market and when there is such an obvious "bull point" as the demise of EPL. No better example of this habit of market behaviour can be found than in the fluctuations in Woolworth's 5s. ordinary stock which followed the company's preliminary report for the year to December 31st.

Having raised the interim equity dividend from 15 to 20 per cent last August, the directors decided to leave the final dividend unchanged at 40 per cent, making the full year's distribution 60 per cent, compared with 55 per cent in 1952. The decision not to increase the final payment confounded the optimists and the market's immediate reaction was to mark the 5s. ordinary stock units down from 66s. 6d. to 64s. But it was quickly realised that this was an unnecessarily churlish response to a preliminary statement that showed that profits before tax had risen by £2,676,498 to £18,976,954 and the 5s. stock units were marked up again to 65s. 7½d.

Over the week-end more consideration

was given to the company's preliminary statement. It was then realised that the bound in the company's profits suggested an increase in sales greater than the average increase in consumption last year. Purse strings were loosened all over the country but seldom with more readiness

	Years to Dec. 31, 1952	1953
Earnings :-		
Net profit, before tax ..	16,300,456	18,976,954
Taxation	10,530,384	12,189,831
Net profit	5,770,072	6,787,123
Tax credits	8,714	494,191
Available for distribution ..	5,778,786	7,281,314
Ordinary dividends	4,331,250	4,950,000
Ordinary dividends (per cent)	55	60
General reserve	750,000	1,250,000
Added to carry forward ..	190,036	516,314

than in the Woolworth stores. It was also realised that EPL took £2,180,000 (compared with £1,475,000) from profits and that, now that the levy is dead, this sum would be added to the current year's net earnings if there is no change in trading profits.

The directors, moreover, have shown

themselves by the dividends declared last year and in earlier years to be ready to distribute a high proportion of net profits to shareholders. Investors could therefore start thinking about the current year's dividends and the 5s. stock units were marked up again, so that they now stand at 67s. 3d., to offer the slender yield of under 4½ per cent. The obvious danger in this is that the financial year still has about eleven months to run. The market has jumped the gun. But has it jumped it too soon?

JUTE INDUSTRIES. There are no surprises in the preliminary statement issued by Jute Industries on the year's trading to September 30th. Trading profits have risen from £960,000 to £1,050,000; the participating preferred dividend has been raised from 14 to 16 per cent; and the ordinary dividend has been increased from 15 to 20 per cent. These dividends together absorb £148,500 from a net profit of £408,352, which compares with a net profit of £318,507 in 1951-52.

The tenor of the chairman's remarks last spring pointed to these increases in profits, though he carefully avoided any definite promise. In his statement, Mr W. G. N. Walker pointed out that in the summer of 1952 the group's trade

and profits were badly hit when its customers reduced their stocks of jute products after the fall in the controlled price of jute. By the beginning of the 1952-53 financial year, however, the "much more realistic level" of prices restored confidence and the group's order books were filling up once again. Throughout 1953, in fact, jute consumption in this country was running at a high level and prices were low enough to deter consumers from searching around for substitute materials.

The jute industry is still enjoying a spell of fair weather, protected from the full blast of Indian competition by governmental controls. And, however much the government tinkers with the machinery of control—as it may do shortly—it will probably still leave the industry

	Years to Sept. 30, 1952	1953
Consolidated earnings :-		
Trading profit	961,774	1,052,570
Depreciation	145,000	120,000
Taxation	483,491	545,918
Net profit	318,507	408,352
Ordinary dividends	11,812	16,500
Ordinary dividends (per cent)	15	20
Part. pref. dividends ..	110,250	132,000
Preferred dividends (per cent)	14	16
General reserve	212,500	352,500
Added to carry forward ..	Dr. 16,050	4,704

with a measure of protection. It was, perhaps, with these considerations in mind that the market marked up the price of the 10s. preferred stocks to 16s. (to give a yield of 10 per cent) and the 2s. ordinary stock units to 4s. 1½d. (to offer a yield of 9½ per cent).

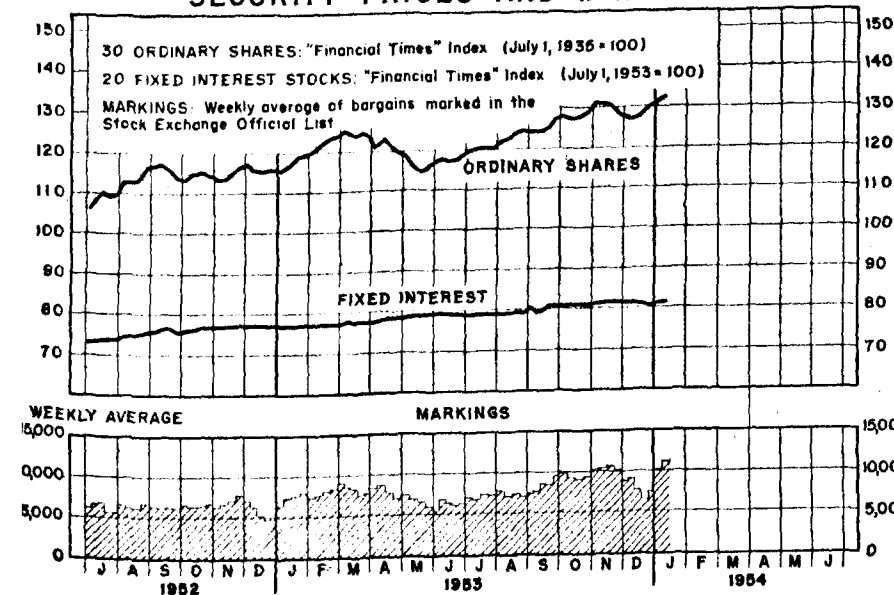
BRITISH TIN INVESTMENT.

Preliminary figures of British Tin Investment Corporation write the final chapter of one of the most glaring stories of bungled legislation of which Parliament and the Treasury draftsmen can have been guilty. This is an investment company

of £3,300,000 total assets invested mainly, but not wholly, in tin mining. Its portfolio contains one £117,000 company—Tin Industrial Finance and Underwriting—which is a finance company. The £100,000 tail wagged the £3 million dog to the extent that the group became liable to excess profits levy on the whole of its income notwithstanding that the bulk of the income came in dividends from companies which themselves had faced the EPL liability. After the 1952 Finance Act had been enacted nothing could be done; the awkward finance company could be neither liquidated nor sold for it was the status at the time of the passing of the Act which mattered. So in 1952 the group had to provide £106,000 for EPL which was not far short of the total assets of the finance company.

The 1953 Finance Act has now put that matter in order by allowing the company to establish its franked income status over the franked portion of its income with retrospective effect. There has still remained a small liability of £15,420 for EPL because some of the company's dividends come from Malayan registered companies and were not franked. But it has been possible to bring back £90,580 of the £106,000 provided in 1952. That explains why the total dividends for 1953 amount to 30½ per cent compared with 18½ per cent in 1952 although the group profit before tax was £58,492 lower. Taking a line through these peculiarities of the tax law it is fair to regard the 7 per cent second interim dividend declared last September at the time of the tax settlement as being applicable to the 1952 profits and not to the 1953 figures. On that basis the total dividends for 1953 would be 23½ per cent as compared with 25½ per cent for 1952. That gives a fair picture of the fact that the group began to feel the effects of the lower earnings of the tin companies in 1953, but that the full downward adjustment of dividends to the standard implied by a tin price of around £645 a ton has yet to come.

SECURITY PRICES AND MARKINGS



LONDON STOCK EXCHANGE

Next Account begins: January 27th.
Next Contango Day: January 27th.
Next Settlement Day: February 2nd.

ALTHOUGH the market was very active after the weekend, with more bargains being marked on Monday than on any day since May, 1951, prices, except in the Kaffir market, were generally easier. The gilt-edged market was not very active and a few selling orders were sufficient to depress prices a little; on Wednesday and Thursday, however, prices remained firm. But there was a noticeable increase in the demand for Dominion and Colonial issues on Wednesday and their prices began to move up again. Foreign bonds were active and some fresh support was given to Greek and Peruvian issues. Japanese loans, following the lead of Tokyo Electric, also improved but German issues, which had been firm earlier in the week, came on offer on Wednesday.

In the industrial market, apart from the flurry in the shares of the multiple stores on Monday, the tone was dull, and by Wednesday the *Financial Times* ordinary share index had slipped back to 132.5, after touching 133.8 on Monday. Store and textile shares were particularly badly hit; and, on Wednesday, the only group to resist the general drift in prices was the electrical equipment shares. Oil shares were dull at first but took a turn for the better in dealings on Wednesday and Thursday morning. Tea shares lost their recent buoyancy and were marked down when profits taken, following the fall in tea price at the auctions.

The busiest sector of the market was the Kaffir group, and on Monday, 2,536 bargains were marked, the highest number since October, 1949. On that day prices, especially of the OFS issues, closed with widespread gains in spite of a bout of profit making in the afternoon. Prices, however, weakened in early dealings on Tuesday and though a rally was staged later in the day losses were widespread throughout the list. Further losses were reported on Wednesday but on Thursday the OFS developers were in demand again.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Jan. 13...	132.3	111.96	3.89	5.47
" 14...	133.1	111.96	3.89	5.44
" 15...	133.7	112.00	3.89	5.42
" 18...	133.8	111.98	3.90	5.43
" 19...	133.0	111.94	3.91	5.45
" 20...	132.5	111.95	3.91	5.48
1954, High.	133.8	112.00	Total bargains 1954 11,249	
" Low.	131.1	111.78	Jan. 13	10,820
	(Jan. 1)	(Jan. 5)	" 15	11,950
1953, High.	131.5	112.55	" 18	14,657
" Low.	113.9	105.68	" 19	11,306
	(May 20)	(Jan. 5)	" 20	9,695

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1953		BRITISH FUNDS AND GUARANTEED STOCKS	Price, Jan. 13, 1954	Price, Jan. 20, 1954	Net Yield, Jan. 20, 1954	Gross Yield, Jan. 20, 1954	Prices, 1953		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 13, 1954	Price, Jan. 20, 1954	Yield Jan. 20, 1954
High	Low						High	Low					
100 1/4	99 3/4	War Bonds 2 1/2% '52-54...	100 1/4	100 1/3	£ s. d.	£ s. d.	47 6	32 3	12 1/2	STEEL & ENGINEERING	42 6	42 6	7 1
100 1/4	99 3/4	Exchequer 2 1/2% 1955...	100 1/4	100 1/4	1 5 5	2 4 5	15 1/4	10 10 1/2	15 c	5 a Cumlaid 5 1/2%	13 9	13 6	6 17
102 1/2	99 3/4	Exchequer 3% 1960...	102 1/2	102 1/2	1 6 10	2 15 5	55 4 1/2	45 3	10 b	5 a Guest Keen N'fold 1 1/2%	52 -	51 6	5 16
100 1/4	99 3/4	Exchequer 3% '62-63...	99 3/4	99 3/4	1 13 8	3 1 11	25 4 1/2	23 10 1/2	21 a	7 1/2 b United Steel 1 1/2%	24 4 1/2	23 10 1/2	7 10
99 3/4	98 3/4	Serial Funding 1 1/2% 1954...	99 3/4	99 3/4	1 4 1	2 3 7	52 -	44 6	12 1/2 b	2 1/2 a Vickers 1 1/2%	47 10 1/2	48 1 1/2	6 4
99 3/4	99 3/4	Serial Funding 2 1/2% 1957...	99 3/4	99 3/4	1 6 11	2 8 4				TEXTILES			
101 1/4	100 3/4	Serial Funding 3% 1955...	101 1/4	101 1/4	0 18 0	2 7 8	34 -	21 4 1/2	7 b	4 a Bradford Dycers 1 1/2%	34 6	34 6	6 -
100 1/4	98 3/4	War Bonds 2 1/2% '54-56...	100 1/4	100 1/4	1 7 2	2 9 17	28 9	21 4 1/2	12	6 a Brit. Celanese 10 1/2%	25 6	25 6	6 -
101 1/4	99 3/4	Funding 2 1/2% '52-57...	100 3/4	100 3/4	1 4 11	2 10 4 1/2	50 3	41 4 1/2	7 1/2 b	5 a Coats (J. & P.) 1 1/2%	50 -	50 6	4 1
101 1/4	99 3/4	Nat. Def. 3% '54-58...	101 1/4	101 1/4	1 7 8	2 14 5 1/2	51 4 1/2	37 3	6 1/2 b	6 1/2 a Courtlands 1 1/2%	50 10 1/2	51 -	5 -
102 1/2	99 3/4	War Loan 3% '55-59...	102 1/2	102 1/2	1 6 0	2 14 1 1/2	53 9	38 6	5 a	10 b Lancs. Cotton 1 1/2%	50 -	49 6	6 -
97 1/2	91 1/2	Savings Bonds 3% '55-65...	96 1/2	95 1/2	2 0 9	3 8 2 1/2	69 6	49 -	20 c	5 a Patons & Baldwins 1 1/2%	68 6	67 6	5 -
98 3/4	95 3/4	Funding 3% '56-61...	97 1/2	97 1/2	1 15 1	2 18 10 1/2	44 6	36 6	7 1/2 a	ELECTRICAL	42 6	43 9	4 11
92 3/4	86 3/4	Funding 3% '59-69...	93 3/4	93 3/4	2 3 8	3 12 6 1/2	40 10 1/2	33 3	10 c	12 1/2 b Assoc. Elect. 1 1/2%	38 3	39 3	5 1
95 3/4	87 3/4	Funding 3% '66-68...	94 1/2	95 *	2 0 11	3 8 8 1/2	40 8	34 -	10 b	5 a English Elect. 1 1/2%	40 3	40 9	4 11
102 1/2	98 3/4	Funding 4% '60-90...	101 1/2	101 1/2	2 2 1	3 19 5 1/2	46 -	36 6	3 1/2 a	7 1/2 b General Elect. 1 1/2%	38 9	40 -	5 12
91 1/4	85 3/4	Savings Bonds 3% '60-70...	92	91 1/2	2 5 9	3 15 2 1/2				MOTOR & AIRCRAFT			
91 1/4	84 3/4	Savings Bonds 2 1/2% '64-67...	90 3/4	90 3/4	2 4 7	3 8 11 1/2	19 6	15 6	6 1/2 b	3 1/2 a Bristol Aero 10 1/2%	19 6	19 -	5 3
93 3/4	87 3/4	Victory 4% '20-76...	102 1/2	102 1/2	2 0 6	3 17 6 1/2	7 7 1/2	5 8 1/2	4 a	6 1/2 b British Motor 5 1/2%	6 6	6 6	8 1
91 1/4	82 3/4	Savings Bonds 3% '65-75...	87 1/2	87 1/2	2 7 4	3 16 4 1/2	35 10 1/2	23 6	7 1/2 c	7 1/2 c De Havilland 1 1/2%	27 3	27 -	5 11 1/2
91 1/4	86 3/4	Consols 4% aft. Feb. '57...	93 3/4	93 3/4	2 7 1	4 5 8 1/2	37 3	25 1 1/2	15 c	15 c Ford Motor 1 1/2%	36 3	36 10 1/2	4 1
91 1/4	87 3/4	Conv. 3 1/2% aft. April '61...	85 3/4	85 3/4	2 5 4	4 2 11 1/2	50 6	36 6	6 a	9 b Hawker-Siddeley 1 1/2%	48 -	48 6	6 3
91 1/4	87 3/4	Treas. 2 1/2% aft. April '75...	64 1/2	64 1/2	2 3 3	3 19 1 1/2	96 3	78 6	25 c	25 c Leyland Motors 1 1/2%	85 -	85 -	5 17
91 1/4	87 3/4	Treas. 3% aft. April '66...	74 1/2	74 1/2	2 4 6	4 1 5 1/2	32 -	24 -	2 a	8 b Raleigh Ind. 1 1/2%	33 6	33 -	6 1
91 1/4	87 3/4	Treas. 3 1/2% '77-80...	92 1/2	92 1/2	2 5 11	3 19 2 1/2	71 3	58 6	10 b	5 a Rolls Royce 1 1/2%	68 9	70 -	4 5
91 1/4	87 3/4	Treas. 3 1/2% '79-81...	92 1/2	92 1/2	2 5 9	3 18 8 1/2	7 3	5 3 1/2	12 c	12 c Standard Motor 5 1/2%	5 5 *	5 10 1/2	10 4
91 1/4	87 3/4	Redemption 3% '86-96...	84 1/2	84 1/2	2 4 7	3 15 5 1/2				SHOPS & STORES			
91 1/4	87 3/4	War L'n 3 1/2% aft. Dec. '52...	84 1/2	84 1/2	2 5 9	4 3 4 1/2	24 -	18 7 1/2	20 c	5 a Boots Pure Drug 5 1/2%	24 -	24 -	4 3
91 1/4	87 3/4	Consols 2 1/2%...	64 1/2	64 1/2	2 3 0	3 18 3 1/2	38 9	16 6 1/2	12 1/2 a	37 1/2 b Debenhams 10 1/2%	33 6	33 3	6 0
91 1/4	87 3/4	Br. Elec. 3% '68-73...	89 3/4	89 3/4	2 7 3	3 16 10 1/2	103 -	85 -	17 1/2 b	5 a Lyons (J.) "A" 1 1/2%	96 3	96 3	4 13
91 1/4	87 3/4	Br. Elec. 3% '74-77...	88 1/2	88 1/2	2 6 7	3 16 6 1/2	74 9	46 3	35 b	20 a Marks & Spenc. "A" 5 1/2%	74 9	78 9	3 9
91 1/4	87 3/4	Br. Elec. 4 1/2% '74-79...	104 3/4	104 3/4	2 2 2	4 0 4 c	67 4 1/2	44 3	20 a	40 b Woolworth 5 1/2%	65 9	67 3	4 9
91 1/4	87 3/4	Br. Elec. 3 1/2% '76-79...	94 3/4	94 3/4	2 4 10	3 18 0 1/2				OIL			
91 1/4	87 3/4	Br. Trans. 3% '78-88...	84 3/4	84 3/4	2 6 10	3 17 3 1/2	8 1/2	5 3/4	30 b	5 a Anglo-Iranian 1 1/2%	8 1/2	8 1/2	4 2
91 1/4	87 3/4	Br. Trans. 3% '68-73...	89 3/4	89 3/4	2 7 4	3 16 11 1/2	60 4 1/2	40 11 1/2	12 1/2 b	2 1/2 a Burmah Oil 1 1/2%	58 9	57 6	5 4
91 1/4	87 3/4	Br. Trans. 4% '72-77...	101	100 1/2	2 3 3	3 19 3 1/2	£ 33 1/2	£ 34	12 b	4 a Royal Dutch 100 fl.	£ 33 1/2	£ 34	4 9
91 1/4	87 3/4	Br. Gas 3% '90-95...	85 3/4	84 1/2	2 4 7	3 15 2 1/2	99 1 1/2	75 7 1/2	10 1/2 b	5 1/2 a Shell Reg.-1 1/2%	93 9	94 4 1/2	5 15
91 1/4	87 3/4	Br. Gas 3 1/2% '69-71...	97 3/4	97 3/4	2 3 1	3 16 2 1/2	18 7 1/2	11 6	5 1/2 a	15 1/2 b Trinidad L'holds 5 1/2%	18 9	17 9	5 2
91 1/4	87 3/4	Br. Gas 4% '69-72...	100 3/4	100 3/4	2 3 4	3 19 1 1/2	44 1 1/2	34 6	13 1/2 b	SHIPPING	38 6	38 6	8 6
							68 10 1/2	52 9	14 b	6 a P. & O. Def. 1 1/2%	67 6	68 -	5 1
							32 -	24 -	10 c	10 c Royal Mail 1 1/2%	33 6	34 -	5 -
							68 -	51 7 1/2	22 1/2 b	5 a Assoc. Port. Com. 1 1/2%	71 3	74 4 1/2	4 c
							45 9	27 6	15 c	15 c Bowater Paper 1 1/2%	46 3	48 1 1/2	6 4
							43 10 1/2	35 -	8 b	4 a Brit. Aluminium 1 1/2%	37 -	36 6	6 11
							43 4 1/2	34 -	16 1/2 c	6 1/2 a Brit. Amer. Tob. 10 -	40 9	40 3	4 17
							\$61 1/2	\$39 1/2	3 a	3 b Canadian Pacific \$25.	\$41	\$42 1/2	6 9
							6 10	5 6 1/2	6 1/2 a	11 1/2 b Carreras "B" 2 1/2%	6 1 1/2 *	6 -	7 15
							38 6	17 9	150 c	10 a Decca Record 5 1/2%	37 -	36 9	4 1
							58 9	42 9	17 1/2 c	17 1/2 c Dunlop Rubber 1 1/2%	56 -	57 6	6 1
							54 4 1/2	41 6	8 b	6 a Imp. Chemical 1 1/2%	55 -	53 9	5 4
							60 3	49 4 1/2	11 1/2 b	8 1/2 a Imp. Tobacco 1 1/2%	58 -	57 6	6 19
							\$84 1/2	\$63	\$2 60 c	\$2 35 c Inter. Nickel n.p.v.	\$66 1/2	\$65 1/2	6 7
							52 -	40 10	7 1/2 a	7 1/2 a London Brick 1 1/2%	51 10 1/2	51 10 1/2	6 4 1/2
							66 -	54 -	3 1/2 a	12 1/2 b Tate & Lyle 1 1/2%	63 9	65 9	4 17 4
							71 9	54 3	7 1/2 b	7 1/2 b Tube Investments 1 1/2%	63 3	63 9	4 14 1
							72 1/2	48 -	2 1/2 a	15 b Turner & Newall 1 1/2%	72 -	72 -	4 17 3
							58 -	45 7 1/2	8 1/2 b	6 a Unilever 1 1/2%	59 6	58 9	5 7
							6 4 1/2	4 6	5 c	7 1/2 c Allied Sumatra 1 1/2%	6 -	6 -	25 0
							22 -	14 7 1/2	7 1/2 c	4 c Jhanzie Tea 1 1/2%	22 -	22 -	3 12
							42 -	33 3	12 1/2 b	5 a United Sna Betong 1 1/2%	39 4 1/2	39 4 1/2	8 17
							6 3/4	5 3/4	40 b	20 a Anglo-Amer. 10 -	5 1/2	6 3/4	4 15
							45 3 1/2	34 -	53 1/2 b	53 1/2 b Blyvoor 2 1/2%	35 9	35 3	7 11
							81 6	64 4 1/2	60 a	60 b Daggafontein 5 1/2%	76 3	73 9	8 2
							75 -	55 9	120 b	80 a De Beers 5 1/2% Bearer	68 6	72 3	13 16
							71 -	42 6	17 1/2 c	17 1/2 c Johannesburg Con. 1 1/2%	50 -	50 9	6 18
							20 1/2	15 3/4	50 a	175 b Rhokana 1 1/2%	17 1/2	17 1/2	13 2 1/2

New York Closing Prices

	Jan. 13	Jan. 20		Jan. 13	Jan. 20		Jan. 13	Jan. 20
Balt. & Ohio	19 1/2	20 1/2	Am. Smelting	29 1/2	30	Inter. Paper	56 1/2	56 1/2
Can. Pac.	22 1/2	23 1/2	Am. Viscose	34 1/2	34 1/2	Nat. Distill.	18 1/2	18 1/2
N.Y. Cent.	18 1/2	20 1/2	Col. of Amer.	19 1/2	19 1/2	Sears Roebuck	60 1/2	60 1/2
Pennsylv.	17 1/2	17 1/2	Chrysler	60 1/2	60	Shell	79	80
Amer. Tel.	157 1/2	159	Gen. Elec.	88 1/2	90 1/2	Std. Oil of N.J.	73 1/2	75 1/2
Stand. Gas	12 1/2	12 1/2	Gen. Motor	60 1/2	63 1/2	U.S. Steel	39 1/2	40 1/2
United Corp.	5 1/2	5 1/2	Goodyear	54 1/2	55 1/2	Westinghouse	51 1/2	54 1/2
W. Union Tel.	40 1/2	41 1/2	Inter. Nickel	37	36	Woolworth	44 1/2	44 1/2

* Ex dividend.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Jan. 2nd	Western Europe:	
Production and Consumption	Jan. 9th	Production and Trade.....	Jan. 2nd
Manpower.....	Jan. 16th	British Commonwealth	Jan. 9th
External Trade.....	Dec. 26th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Jan. 16th
Industrial Profits.....	This week	United States	Dec. 26th
		World Trade.....	This week

World Trade

(Million US Dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
	1938	1951	1952	1953 Annual Rate		1938	1951	1952	1953 Annual Rate	
				April to June	July to Sept.				April to June	July to Sept.
WORLD										
Total (1)	21,001	76,932	74,114	75,739	72,200	23,720	81,467	79,803	77,488	74,700
STERLING AREA										
Total	5,784	20,222	18,739	18,479	17,700	7,953	23,778	21,953	20,333	19,800
United Kingdom	2,746	7,596	7,630	7,330	7,389	4,600	10,942	9,747	9,864	9,094
UK dependencies	974	5,330	4,622	4,461	...	1,003	4,556	4,368	4,196	...
Hong Kong	185	780	510	542	397	188	856	663	727	614
Malaya and Singapore	327	1,984	1,280	1,000	948	315	1,554	1,265	1,054	1,073
Gold Coast	52	232	216	247	113(4)	50	177	186	185	167(4)
Nigeria	70	336	337	337	306(4)	56	237	317	292	277(4)
Northern Rhodesia	50	188	231	258	282	28	111	132	162	167
Other sterling countries	2,074	7,296	6,487	6,688	6,164	2,350	8,280	7,838	6,273	6,653
Australia	552	2,043	1,690	2,037	1,661	571	2,423	1,979	1,335	1,622
Ceylon	104	400	315	318	323	86	327	358	370	329
India	} (21	1,610	1,296	1,008	1,088	} 575	1,777	1,677	1,377	1,243
Pakistan		763	532	378	398		530	611	246	303
Iraq	68	185	288	393	422(4)	46	143	173	167	205(4)
Ireland	119	228	284	297	352	203	573	482	490	473
New Zealand	225	693	672	852	440	225	596	739	498	551
Southern Rhodesia	30	128	153	196	214	51	269	277	246	248
Union of South Africa	161	995	954	808	918	503	1,448	1,294	1,312	1,343
EPU COUNTRIES										
Dep. continental countries	6,566	19,367	19,139	19,047	18,591	7,804	22,172	21,910	21,040	20,368
Income from Luxembourg	733	2,649	2,426	2,224	2,152	765	2,535	2,424	2,312	2,384
Profits from	334	839	851	897	846	354	1,013	962	910	987
Directors'	881	4,178	3,896	3,970	3,299	1,324	4,554	4,431	4,150	3,682
Administrative, Federal Republic	...	3,461	3,990	4,265	4,335	...	3,494	3,818	3,614	3,675
Contingency	553	1,649	1,583	1,402	1,450	593	2,168	2,313	2,431	2,194
Pensions	...	...	...	...	...	...	...	...	...	...
Minority	594	1,978	2,130	2,019	2,147	803	2,567	2,251	2,282	2,420
Profits from	192	620	565	476	502	292	877	873	896	792
Delivered	464	1,782	1,571	1,448	1,540	525	1,776	1,730	1,585	1,472
From Switzerland	302	1,081	1,100	1,148	1,194	366	1,364	1,202	1,176	1,151
Turkey	115	314	363	394	276	119	402	556	508	541
Total dependencies (excl. sterling area)	715	2,780	2,825	2,881	...	779	3,836	4,390	4,131	...
Netherlands Antilles	187	708	750	...	...	253	906	1,028	...	...
NORTH AMERICA										
Total	4,020	19,083	19,942	21,801	19,726	3,259	16,141	16,116	17,732	16,745
United States	3,102	15,041	15,182	16,932	15,116	2,465	11,946	11,637	12,384	11,649
Canada (2)	918	4,042	4,760	4,869	4,610	794	4,195	4,479	5,348	5,096
LATIN AMERICA										
Total	1,641	7,861	7,044	7,525	7,300	1,535	7,636	7,192	6,219	6,000
Dollar countries	676	4,001	4,037	3,927	...	568	3,288	3,384	3,197	...
Cuba	143	786	677	797	...	119	691	667	516	...
Mexico	147	581	584	450	466	114	823	807	714	807
Venezuela	181	1,455	1,552	1,336	1,400	107	719	809	832	796
Other countries	555	3,860	3,007	3,598	...	967	4,348	3,808	3,022	...
Argentina	408	1,210	670	1,340	...	440	1,400	860	804	...
Brazil	289	1,757	1,469	1,172(4)	...	295	2,011	2,010	1,388	1,359(4)
REST OF THE WORLD										
Total	2,265	7,619	6,425	6,006	6,100	2,390	7,904	8,342	8,033	7,800
Egypt	147	583	417	468	262	185	667	608	527	508
Indonesia	381	1,258	986	776	884	275	805	972	780	854
Iran	146	590	152	53	...	79	248	165	133	...
Japan(2)	767	1,355	1,273	1,297	1,268	759	1,995	2,028	2,459	2,365

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 16th, there was an "above-line" surplus (after allowing for Sinking Funds) of £189,579,000 compared with a surplus of £98,161,000 in the previous nine days and a surplus of £142,072,000 in the corresponding period last year, bringing the cumulative deficit to £257,953,000 (£257,402,000 in 1952-53). Net expenditure "below-line" absorbed £20,289,000, which brought the total cumulative deficit to £577,100,000 (£716,451,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Jan. 17, 1953	April 1, 1953 to Jan. 16, 1954	Week Jan. 17, 1953	Week Jan. 16, 1954
Ord. Revenue					
Income Tax	1782,250	912,780	974,151	170,477	198,531
Sur-tax	127,000	77,000	76,300	8,000	10,500
Death Duties	160,000	116,450	128,700	2,200	3,400
Stamps	52,000	39,550	44,000	1,300	1,400
Profits Tax & E.P.T.	214,000	318,600	156,300	8,000	4,000
Excess Profits Levy	99,500	300	51,350	50	1,000
Special Contribution and other Inland Revenue	1,000	1,520	920	60	50
Total Inland Rev.	2435,750	1526,200	1431,721	190,087	218,981
Customs	1044,300	828,889	842,805	22,019	19,602
Excise	680,480	560,181	557,740	4,640	4,050
Total Customs and Excise	1724,780	1389,070	1400,545	26,659	23,652
Motor Duties	69,000	40,701	48,575	5,102	18,643
P.O. (net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	9,600	10,900	...	...
Sundry Loans	25,000	21,461	21,995	...	...
Miscellaneous	95,000	92,614	96,504	837	464
Total	4368,215	3079,646	3010,240	222,685	261,740
Ord. Expenditure					
Debt Interest	615,000	464,362	463,560	10,282	1,116
Payments to N. Ireland Exchequer	48,000	31,143	36,625	...	...
Other Cons. Fund	10,000	9,348	8,378	...	176
Supply Services	3586,286	2806,352	2732,974	69,400	70,100
Total	4259,286	3311,206	3241,537	79,682	71,392
Sinking Funds	...	25,842	26,656	930	770
"Above-line" Surplus or Deficit		-257,402	-257,953	142,072	189,579
"Below-line" Net Expenditure		459,049	319,147	12,858	20,289
Total Surplus or Deficit		716,451	-577,100	129,214	169,290
Net Receipts from:					
Tax Reserve Certificates	47,910	128,205	73,673	76,233	...
Savings Certificates	5,000	12,550	1,200	500	...
Defence Bonds	44,354	33,581	1,133	185	...

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
Jan. 17	3,010-0	1,569-6	251-7	...	4,831-3
Oct. 17	4,552-2*	262-2	...	...	4,814-3
" 24	4,550-4*	264-1	...	...	4,814-5
" 31	4,538-1*	254-9	1-3	...	4,794-3
Nov. 7	4,535-2*	250-0	...	...	4,785-2
" 14	4,591-7*	253-9	...	...	4,845-5
" 21	4,604-2*	263-8	...	...	4,873-0
" 28	4,620-5*	254-0	...	...	4,875-1
Dec. 5	4,674-4*	342-5	...	...	4,915-9
" 12	4,726-3*	283-1	2-3	...	4,966-7
" 19	4,759-0*	266-9	1-0	...	5,026-9
" 31	4,855-5*	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

* In consequence of official purchases of tender bills in connection with cash subscriptions to the Exchequer Stock Fund 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

LOMBARD STREET has had a difficult week. Revenue transfers have been exceptionally large, and as apparent bill maturities were only just equal to the week's take-up of new Treasury bills the market had to lean heavily on help from the authorities. This was given through special purchases of bills from the banks on every day except Saturday (when market supplies of credit were just adequate). On Thursday of last week, however, even large indirect purchases were not sufficient to prevent a number of houses from being forced "into the Bank" whilst on Wednesday of this week, during the stringency caused by the banks' callings for their monthly make-up, several houses only just avoided renewed recourse to the Bank.

The rapid inflow of tax revenue was reflected in a £10 million under-allotment at last week's Treasury bill offer of £220 million. The market maintained its bid at £99 9s. 4d. per cent for the 91-day bills on offer, securing an allotment of 43 per cent; its bid of 1d. less for the 92-day bills (attributable to the incidence of Easter Monday) was fully allotted, so that its average allotment was 51 per cent (against 64 per cent). This fall was attributable partly to the under-allotment and partly to an increase of over £16 million in total applications. The offer yesterday was reduced to £210 million, or £30 million less than the corresponding maturities.

The Bank return shows a further reflux of notes of £20 million, bringing the total reflux since Christmas to £97.1 million—slightly more than in the corresponding weeks a year ago and, as then, slightly in excess of the outflow of notes in the five weeks of heavy pre-Christmas spending.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	%	Discount rates	%
Bank bills: 60 days	2 1/2	3 months	2 1/2
4 months	2 1/2	6 months	2 1/2
6 months	2 1/2		
Deposit rates (max)		Fine trade bills:	
Banks	1 1/2	3 months	3 1/4
Discount houses	1 1/2	4 months	3 1/4
		6 months	4 1/4
Money—Day-to-day:	1 1/2		
Short periods	1 1/2		
Treas. bills 2 months	2 1/2		
3 months	2 1/2		

LONDON CLOSING EXCHANGE RATES

LONDON FOREIGN EXCHANGE													
	Official Rates	Market Rates : Spot											
	Jan. 20	Jan. 14	Jan. 15	Jan. 16	Jan. 18	Jan. 19	Jan. 20	Jan. 14	Jan. 15	Jan. 16	Jan. 18	Jan. 19	Jan. 20
United States \$.	2-78-2-82	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2	2-81 1/2
Canadian \$.		2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2	2-73 1/2
French Fr.	972-65 987-35	979 1/2	979 1/2	979 1/2	979 1/2	979 1/2	979 1/2	979 1/2	979 1/2	979 1/2	979 1/2	979 1/2	979 1/2
Swiss Fr.	12-15 1/2 13 53 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2	12-21 1/2
Belgian Fr.	138-95 141-05	139-90	140-00	139-85	139-95	139-85	139-95	139-85	139-95	139-85	139-95	139-85	139-95
Dutch Gld.	10-56 10-72	10-61 1/2	10-62 1/2	10-61 1/2	10-62 1/2	10-62 1/2	10-62 1/2	10-62 1/2	10-62 1/2	10-62 1/2	10-62 1/2	10-62 1/2	10-62 1/2
W. Ger. D-Mk.	11-57 1/2 11-84 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2	11-68 1/2
Portuguese Esc.	79-90 81-10	79-90	80-00	79-90	80-00	79-90	80-00	79-90	80-00	79-90	80-00	79-90	80-00
Swedish Kr.	14-50 14-59 1/2	14-49 1/2	14-50 1/2	14-50 1/2	14-50 1/2	14-50 1/2	14-50 1/2	14-50 1/2	14-50 1/2	14-50 1/2	14-50 1/2	14-50 1/2	14-50 1/2
Danish Kr.	19-39 19-48 1/2	19-34 1/2	19-34 1/2	19-34 1/2	19-35 1/2	19-35 1/2	19-35 1/2	19-35 1/2	19-35 1/2	19-35 1/2	19-35 1/2	19-35 1/2	19-35 1/2
Norwegian Kr.	19-95 20-15	20-01 1/2	20-01 1/2	20-00 1/2	20-01 1/2	20-01 1/2	20-00 1/2	20-01 1/2	20-01 1/2	20-01 1/2	20-01 1/2	20-01 1/2	20-00 1/2
One Month Forward Rates													
United States \$.		4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par	4 1/2 p.m. par
Canadian \$.		1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis	1 1/2 p.m. dis
French Fr.		2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis	2 1/4 dis
Swiss Fr.		2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.	2 1/2 p.m.
Belgian Fr.		1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis
Dutch Gld.		1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.	1 1/2 p.m.
W. Ger. D-Mk.		1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis
Portuguese Esc.		1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis
Swedish Kr.		1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis	1 1/2 p.m. 1/4 dis
Danish Kr.		Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis	Par 20 dis
Norwegian Kr.		Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis	Par 30 dis

BANK OF ENGLAND RETURNS

	1953		1954	
	Jan. 21	Jan. 13	Jan. 20	Jan. 13
Issue Department*				
Notes in circulation	1,455-0	1,563-2	1,543-2	1,543-2
Notes in banking dept.	45-4	37-2	57-1	57-1
Govt. debt and securities	1,496-7	1,596-7	1,536-8	1,536-8
Other securities	0-8	0-8	0-7	0-7
Gold coin and bullion	2-3	2-9	2-9	2-9
Banking Department				
Deposits:				
Public accounts	17-5	19-3	15-5	15-5
Treasury special account	32-2	7-2	7-2	7-2
Bankers' deposits	268-7	271-5	284-0	284-0
Others	66-5	71-2	69-3	69-3
Total	384-9	369-8	374-0	374-0
Securities:				
Government	327-5	323-1	298-6	298-6
Discounts and advances	14-9	9-7	20-4	20-4
Other	14-0	15-7	16-7	16-7
Total	356-4	348-5	335-7	335-7
Banking department reserve	46-8	39-6	39-5	39-5
"Proportion"	12-1	10-7	15-9	15-9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,625 million to £1,600 million on January 13, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotment at Max. Rate %
	Offered	Applied For	Allotted		
1953					
Jan. 16	200-0	293-5	190-0	47 11-44	48
Sept. 4	300-0	394-6	300-0	47 7-43	66
" 11	300-0	388-0	300-0	47 11-85	68
" 18	280-0	340-6	280-0	43 0-06	80
" 25	270-0	362-2	270-0	42 8-05	...
Oct. 2	280-0	348-2	250-0	42 8-09	...
" 9	250-0	359-5	230-0	42 7-35	...
" 16	230-0	367-7	230-0	41 11-57	51
" 23	240-0	353-2	240-0	41 11-67	55
" 30	240-0	385-9	240-0	41 11-27	45
Nov. 6	220-0	392-5	220-0	41 10-62	37
" 13	230-0	372-9	230-0	41 11-48	...
" 20	230-0	374-5	230-0	41 10-92	...
" 27	240-0	368-4	240-0	41 11	...
Dec. 4	250-0	374-0	250-0	41	...
" 11	250-0	368-5	250-0	41	...
" 18	250-0	308-4	250-0	42	...
" 24	250-0	338-9	250-0	42	...
1954					
Jan. 1	250-0	316-6	250-0	42 8-	...
" 8	230-0	319-3	230-0	42 7-9	...
" 15	220-0	335-5	210-0	42 7-72	...

* On January 15th tenders for 91 day bills at £99 9s. secured about 43 per cent of the sum applied for; highest tenders were allotted in full. The offering yesterday was for a maximum amount of £210 million.

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 249.

Comparative analysis of 661 profit and loss accounts published October-December, 1953 (£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(46)		(20)		(31)		(6)		(2)		(28)		(53)		(14)	
	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	30,200	31,059	1,866	3,791	14,650	14,588	4,929	5,575	149	58	8,897	8,997	20,341	19,459	16,900	12,930
Income from investments	1,333	1,335	41	39	382	277	65	46	16	10	270	258	205	226	436	592
Other current income	1	1	...	...	1	1	2	2	5	33	2	2	22	22	29	32
Non-recurring credits	1,012	1,433	1,037	749	346	720	726	81	25	1	468	504	687	997	56	1,242
Total Income.....	32,576	33,828	2,944	4,579	15,379	15,606	5,721	5,704	192	74	9,668	9,761	21,240	20,704	17,421	14,796
Repairs and maintenance	1,088	1,361	...	...	35	31	...	...	...	...	19	18	73	50	...	...
Depreciation	2,986	3,118	546	620	2,384	2,856	348	409	26	5	1,739	1,710	2,873	2,531	2,050	2,097
Income tax (excl. profits tax)	11,169	11,694	720	1,283	4,675	5,318	1,816	2,207	40	4	3,030	3,190	7,461	7,060	6,901	6,515
Profits tax	3,463	2,537	297	353	2,102	1,349	987	741	10	2	1,090	804	2,960	2,407	2,336	1,015
Directors' emoluments	892	903	285	298	798	769	185	222	17	12	399	387	1,148	1,221	525	538
Administrative charges, etc.	743	820	122	286	326	396	60	51	57	25	201	193	138	210	10	62
Contingencies, provisions, etc.	2,064	1,493	985	248	1,126	1,082	180	89	6	...	521	323	1,578	766	361	227
Pensions	509	330	30	47	160	263	226	14	...	1	196	282	667	260	35	10
Minority share in profits	212	273	20	23	11	21	181	169	...	...	60	4	37	38	69	117
Profits retained by subsidiaries	594	1,111	137	142	563	270	217	268	...	1	513	437	825	1,044	1,492	1,424
Debt-interest	1,426	1,487	250	266	168	266	199	209	20	20	131	117	73	110	71	1
Preference dividends	849	897	212	225	196	197	238	243	25	13	198	196	809	206	234	234
Ordinary dividends	5,089	5,570	289	289	1,380	1,575	498	811	12	5	857	976	1,618	1,867	1,081	1,172
Revenue reserves	2,011	1,911	213	227	1,240	1,488	147	100	3	...	621	999	1,732	2,387	2,041	2,650
Brought in (parent company)	6,454	5,935	1,525	1,963	2,005	2,220	710	649	93	81	1,694	1,987	4,591	5,089	2,235	2,520
Carried forward (parent company) ..	5,935	6,258	963	1,235	2,220	1,945	649	820	81	67	1,987	2,112	6,089	5,636	2,520	2,659

Comparative analysis of 661 balance sheets published October-December, 1953.
(£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(46)		(20)		(31)		(6)		(2)		(24)		(53)		(14)	
	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	177,310	185,351	20,723	22,225	38,190	41,620	23,265	23,809	570	500	30,521	32,488	40,164	45,159	33,937	37,549
Trade investments	4,609	4,661	259	223	1,855	1,950	455	2,418	310	310	1,699	1,706	1,335	997	3,360	3,804
Stocks	36,183	34,530	22,797	19,426	22,920	24,781	8,314	7,443	1,339	983	19,723	16,006	37,901	40,168	22,967	25,072
Debtors	19,046	17,142	2,911	2,976	12,591	12,773	8,951	7,550	374	211	1,941	11,923	20,670	21,292	18,050	18,379
Net balances due to parent cos.	8,821	6,516	151	163	378	451	29	25	1	1	72	139	262	150	3	3
Gift-edged	17,12	23,728	1,054	1,610	7,058	8,773	2,998	3,206	5	63	2,355	4,647	13,602	17,096	11,151	10,603
Cash	6,116	6,216	211	214	874	945	80	80	80	80	4,867	4,838	250	207	3,850	3,169
Other marketable investments	3,575	3,948	1,553	1,447	3,900	3,953	3,646	10,179	359	359	674	661	926	822	904	976
Intangible assets																
Total Assets	270,883	282,103	49,269	48,308	87,766	95,623	47,701	54,785	3,653	2,779	71,852	72,889	116,217	126,807	94,682	97,905
Bank overdrafts and loans	780	811	6,826	4,695	3,723	3,523	1,218	1,157	906	109	2,263	979	3,245	3,102	187	745
Reserve for future income tax	10,340	10,906	1,016	1,506	5,072	5,654	3,653	4,309	36	42	3,333	3,598	8,629	8,625	6,673	4,903
Depreciation and obsolescence	20,639	22,802	4,516	5,051	9,653	11,097	811	871	155	119	11,432	12,584	15,839	18,008	8,294	10,078
Capital reserves and EPT refunds	25,823	25,855	5,014	5,450	3,047	2,809	7,253	14,110	59	87	4,072	3,654	10,160	9,609	15,914	16,046
Other provisions	6,010	4,823	1,239	116	1,060	1,254	1,299	1,170	237	279	237	279	1,281	1,228	840	826
Current liabilities and creditors	42,041	44,050	7,878	6,818	19,979	19,306	8,467	7,812	295	236	14,954	14,178	29,147	31,753	19,673	18,814
Revenue res. and carried forward	46,470	50,113	4,715	5,139	20,547	20,588	6,440	6,969	226	210	13,943	15,663	23,490	27,152	22,152	26,119
Net balances due to subsidiaries	5,298	5,364	351	352	221	432	4,487	4,430	1	1	729	778	418	441	2,012	2,085
Minority interests	35,972	37,107	5,928	6,097	4,314	7,290	3,907	3,793	499	409	3,239	3,065	1,894	2,213	8,072	7,572
Debtenture capital	25,747	27,482	6,398	6,648	6,024	6,043	7,045	7,045	1,275	1,275	6,117	6,115	6,754	6,721	10,856	10,705
Preference capital	50,733	52,780	5,388	5,818	14,614	17,510	3,119	3,119	309	309	11,582	11,888	15,315	17,884		
Ordinary capital																
Total Liabilities	270,883	282,103	49,269	48,308	87,766	95,623	47,701	54,785	3,653	2,779	71,852	72,889	116,217	126,807	94,682	97,905

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(5)		(7)		(16)		(43)		(19)		(85)		(9)		(8)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Fixed assets	8,957	9,605	18,894	19,622	15,756	18,125	82,252	98,350	14,016	14,789	52,699	60,154	12,300	12,390	24,262	25,502
Trade investments	361	366	1,771	1,985	939	994	2,333	2,999	1,132	1,250	3,762	3,573	753	1,119	86	86
Stocks	10,544	12,332	8,686	7,543	26,270	22,842	100,120	96,512	7,765	6,834	54,312	44,666	632	817	16,447	19,376
Debtors	2,978	2,870	4,481	4,113	14,635	14,189	55,678	52,336	5,223	5,230	30,065	48,382	969	1,133	4,505	4,890
Net balances due to parent cos.	156	156	145	145	306	306	101	100	53	53	144	136	1	1	5	5
Gift-edged	559	589	4	2,989	299	306	649	874	88	193	2,367	2,425	2,448	3,833	75	75
Cash	3,355	2,745	1,099	1,059	2,142	3,319	18,396	34,490	4,293	5,006	15,318	22,940	8,150	6,016	15,617	10,522
Other marketable investments	2,379	2,671	6	1,58	87	749	817	1,363	953	935	3,039	817	3,039	2,815	1,919	1,936
Intangible assets	137	137	6,519	7,050	605	618	3,439	3,320	6,150	6,177	3,777	3,700	...	...	304	307
Total Assets	29,291	31,315	41,526	44,512	60,824	60,480	263,708	289,798	40,023	40,529	182,919	186,838	28,311	28,123	63,216	62,699
Bank overdrafts and loans	1,034	904	1,407	1,450	7,797	5,958	6,139	6,700	1,409	931	13,984	10,829	1,034	671	427	174
Reserve for future income tax	1,286	1,416	998	997	3,234	3,248	15,131	15,428	2,123	2,123	8,635	8,534	1,039	944	2,234	1,273
Depreciation and obsolescence	4,781	5,194	3,581	4,759	5,149	6,247	34,740	40,449	5,400	5,921	19,391	21,587	3,409	3,605	8,282	8,885
Capital reserves and EPT refunds	1,638	1,738	2,764	2,488	1,547	1,349	17,765	17,115	2,994	3,004	5,421	9,651	7,471	6,607	2,898	2,980
Other provisions	170	190	104	74	256	302	3,595	2,277	384	239	2,983	2,866	661	364	135	87
Current liabilities and creditors	9,683	9,267	4,654	5,242	14,563	13,901	82,162	88,858	6,481	6,218	55,874	52,885	5,079	4,581	12,179	9,039
Revenue res. and carried forward	6,519	7,776	2,340	3,458	10,069	10,585	47,252	57,528	8,079	9,168	30,248	31,622	6,326	6,903	18,922	22,259
Net balances due to subsidiaries	15	19	1,437	1,445	498	610	3,558	3,541	877	859	1,647	1,637	97	100	25	17
Minority interests	250	250	11,757	12,121	2,182	2,248	4,297	4,275	852	832	5,159	5,640	...	...	6,180	6,051
Debtenture capital	1,219	1,219	4,481	4,481	3,879	4,372	11,918	11,999	6,151	6,156	13,949	13,924	514	1,014	1,213	1,213
Preference capital	2,696	3,346	7,997	7,997	11,110	11,660	37,133	40,981	5,023	5,044	23,616	26,743	2,691	3,334	10,721	10,721
Ordinary capital																
Total Liabilities	29,291	31,315	41,526	44,512	60,824	60,480	263,708	289,798	40,023	40,529	182,919	186,838	28,311	28,123	63,216	62,699

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(9)		(6)		(12)		(7)		(87)		(35)		(116)		661 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	4,926	5,130	3,923	4,503	15,637	16,270	32,140	34,943	26,357	25,204	9,281	9,863	90,427	87,584	776,447	831,935
Trade investments	17	33	143	145	1,059	1,022	6,276	6,280	903	1,021	453	528	10,104	10,399	44,260	47,934
Stocks	2,296	1,992	6,110	8,522	12,161	10,966	7,767	8,724	3,745	3,330	4,723	5,321	13,971	13,393	449,163	429,590
Debtors	656	620	1,392	1,999	4,376	4,422	2,878	3,226	1,180	1,186	2,925	2,743	36,099	38,713	282,294	278,509
Net balances due to parent cos.	...	...	...	...	422	483	...	...	...	...	39	39	145	178	1,424	2,027
Gift-edged	...	15	...	...	140	140	2,275	1,270	1,245	1,369	589	494	2,748	9,873	22,328	33,151
Cash	645	669	1,290	387	2,309	2,864	9,277	11,743	9,935	6,780	2,746	2,688	18,396	23,251	168,226	204,245
Other marketable investments	236	129	...	...	2,259	2,264	279	243	762	706	393	227	82,040	83,584	112,754	112,924
Intangible assets	128	128	382	329	561	376	...	...	902	467	199	188	6,154	6,140	44,364	51,282
Total Assets	8,934	8,716	13,240	15,885	39,924	38,807	60,892	66,429	45,031	41,063	21,354	22,091	260,054	273,115	1,901,270	1,991,599
Bank overdrafts and loans	53	120	422	1,675	1,655	1,047	220	256	371	570	1,397	2,590	14,894	14,515	71,391	63,511
Reserve for future income tax	230	154	328	405	2,027	1,775	6,697	6,382	2,127	947	456	587	3,535	5,063	89,712	88,819
Depreciation and obsolescence	2,238	2,401	1,158	1,402	3,585	3,925	17,899	20,330	3,692	3,255	1,179	1,483	10,370	11,344	195,184	221,397
Capital reserves and EPT refunds	466	462	811	953	1,875	1,738	3,288	2,628	2,771	3,501	1,748	1,351	16,607	17,371	142,963	151,188
Other provisions	28	27	121	118	192	157	3	2	876	973	297	302	2,914	2,814	24,715	21,098
Current liabilities and creditors	1,263	906	2,905	3,411	7,232	6,374	9,173	10,318	9,351	5,354	4,779	3,985	31,140	34,808	398,044	399,728
Revenue res. and carried forward	1,558	1,335	2,136	2,479	8,399	9,064	14,231	16,942	5,694	5,814	3,114	2,965	30,017	32,902	334,036	372,751
Net balances due to subsidiaries	...	...	...	...	...	...	...	133	...	...	...	...	1,455	1,323	2,766	2,799
Minority interests	...	...	179	137	274	241	2	...	159	138	315	342	2,061	1,486	23,628	24,791
Debtors capital	703	856	1,100	1,200	3,763	3,764	561	90	976	912	912	917	69,171	62,131	164,171	161,257
Preference capital	562	562	950	950	4,506	4,506	709	790	479	474	1,174	1,174	37,806	37,750	158,193	159,580
Ordinary capital	1,808	1,895	3,130	3,155	5,816	6,216	8,118	8,118	15,544	18,541	6,184	6,184	49,983	51,628	306,467	325,547
Total Liabilities	8,934	8,716	13,240	15,885	39,924	38,807	60,892	66,429	45,031	41,063	21,354	22,091	260,054	273,115	1,901,270	1,991,599

Williams Deacon's Bank Ltd.

(Member of the London Bankers' Clearing House)

HEAD OFFICE:
MOSLEY STREET . . . MANCHESTER
PRINCIPAL LONDON OFFICES:
20, BIRCHIN LANE, E.C.3; 9, PALL MALL, S.W.1

CAPITAL ISSUED £8,125,000
CAPITAL PAID UP £1,875,000
RESERVE FUND £2,000,000

TOTAL ASSETS

£156,150,874

31st December 1953

Associated Banks:
The Royal Bank of Scotland: Glyn, Mills & Co.



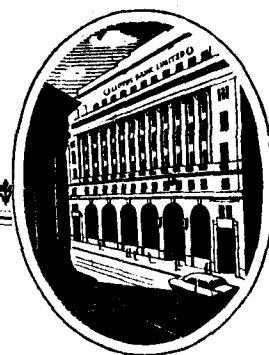
ALLIANCE ASSURANCE COMPANY LIMITED

Head Office:
BARTHOLOMEW LANE, LONDON, E.C.2
Established 1814

**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*



An account of stewardship

At the end of 1953 our Deposits amounted to **£1,204 millions**. Here are four of the chief ways in which we have employed these vast sums entrusted to our care:—

Advanced to Trade, Industry,
Agriculture and other borrowers:
£289 millions

Invested in British Government
Securities, including Treasury Bills:
£609 millions

Loaned at Call or short notice to
the Money Market: **£88 millions**

Held as Cash: **£99 millions**

LLOYDS BANK LIMITED

71 Lombard Street London E.C.3



THE LANCASHIRE STEEL CORPORATION LIMITED

Directors:
SIR JOHN JAMES, *Chairman and Managing Director*.
THE EARL OF CRAWFORD, G.B.E., *Vice-Chairman*.
J. SINCLAIR KERR, M.Sc., F.I.M., F.Inst.F.,
Assistant Managing Director.
ROBERT PATERSON, C.A.

GEOFFREY K. RYLANDS, O.B.E., J.P.
EARL PEEL
L. E. MATHER, C.B.E.
PHILIP E. HOLLOWAY.

Secretary and Registered Office:
R. H. CLOSE, A.C.A.
BEWSEY ROAD, WARRINGTON

Auditors:
THOMSON McLINTOCK & Co., MANCHESTER

Bankers:
WESTMINSTER BANK LIMITED

REPORT OF THE DIRECTORS

The Balance Sheet of The Lancashire Steel Corporation Limited and the Consolidated Balance Sheet of the Corporation and its Subsidiary Companies, both as at 3rd October, 1953, are presented herewith, together with the Consolidated Profit and Loss Account for the 53 weeks ended that date.

The Balance of Income after Taxation available to the Parent Company amounts to £1,018,443

	Paid or Provided	Recom- mended
Deduct:		
Dividends paid and recommended—less Income Tax:		
Cumulative Redeemable First Preference Stock 5% for the period	£38,354	
Non-Cumulative Redeemable Second Preference Stock Interim Dividends of 1½% paid 27th February 1953, and 3½% paid 3rd December, 1953, making 5½% for the period	23,787	
Ordinary Stock or Shares		
An Interim Dividend of 2½% paid 27th February, 1953, on £3,462,238 "A" and "B" Ordinary Stock	48,471	
A Final Dividend payable on 8th January 1954, of 9.84816d. gross on each of 4,500,000 Ordinary Shares of £1 each fully paid		£101,559
	£110,612	£101,559
Income retained by the Parent Company	806,272	
Deduct Allocation to General Reserve	800,000	
Unappropriated Surplus	6,272	
Surplus brought forward at 27th September, 1952	637,528	
Surplus carried forward at 3rd October, 1953	£643,800	

On 13th July, 1953, the issued Capital of the Corporation, in accordance with the provisions of the Iron and Steel Act, 1953, became the property of the Iron and Steel Holding and Realisation Agency.

With the agreement of the Agency the Capital of the Corporation was reorganised at an Extraordinary General Meeting held on 3rd December, 1953, as follows:

(a) The £1,400,000 5% Cumulative Redeemable First Preference Stock and the £798,438 5½% Non-Cumulative Redeemable Second Preference Stock were converted into 2,198,438 5½% Redeemable Cumulative Preference Shares of £1 each fully paid.

(b) The £2,992,238 "A" Ordinary Stock and the £500,000 "B" Ordinary Stock were converted into 3,492,238 Ordinary Shares of £1 each fully paid.

(c) The sum of £3,339,924 being part of the sum standing to the credit of the General Reserve of the Company was capitalised and distributed to the Agency by issuing as fully paid 2,301,692 5½% Redeemable Cumulative Preference Shares of £1 each and 1,037,702 Ordinary Shares of £1 each. As a result of this reorganisation the Issued and Fully Paid Capital of the Corporation held by the Agency now consists of:

4,500,000 5½% Redeemable Cumulative Preference Shares of £1 each.
4,500,000 Ordinary Shares of £1 each.

The Dividend of 9.84816d. gross on each of the 4,500,000 Ordinary Shares of £1 each now recommended as a final dividend for the period ended 3rd October, 1953, is the equivalent of 5½% on the £3,492,238 "A" and "B" Ordinary Stock previously issued, and, with the interim dividend of 2½% on that Stock paid on 27th February, 1953, makes a total dividend of 8% on that Stock for the period.

During the year The Wigan Coal Corporation Limited, in which this Corporation holds the whole of the "A" Ordinary Shares, was placed in voluntary liquidation, and a Receiver was appointed for the First Mortgage Debenture Stock of The Broughton and Plas Power Coal Company Limited, of which Stock this Corporation holds a substantial majority.

Capital expenditure for the year amounted to £1,082,330 which includes expenditure on the new Rod and Bar Mill at Warrington and on 18 new Coke Ovens at Irlam, both of which are now in operation, and also expenditure on the 1952/57 development programme now being undertaken for the purpose of increasing the Corporation's steel output. This programme includes an additional steel making plant, two new large capacity blast furnaces to provide the iron for the increased steel output, a blast-furnace gas plant, and ancillary equipment. Extensive rebuilding and the installation of new plant is also to be carried out in the wire drawing departments, particularly in those producing high stress wire.

In accordance with the Articles of Association the Earl of Crawford and Mr. P. E. Holloway retire from the Board by rotation and offer themselves for reappointment.

The Auditors, Messrs. Thomson McLintock & Co., Chartered Accountants, will continue in office under the provisions of Section 159(3) of the Companies Act, 1948.

By Order of the Board,
R. H. CLOSE,
Secretary.

THE LANCASHIRE STEEL CORPORATION LIMITED and Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the 53 weeks ended 3rd October, 1953

52 weeks ended 27th Sept., 1952	£	£	52 weeks ended 27th Sept., 1952	£	£
MANUFACTURING AND TRADING PROFIT after deducting the items set out below	2,225,951	1,960,306	2,348,269		
Emoluments of the Directors of The Lancashire Steel Corporation Limited paid by the Corporation and its Subsidiaries were as follows:—					
(a) As Directors	£3,200	£2,489			
(b) For Managerial Services	28,370	29,591			
	31,570	32,080			
	320,000	385,000			
	36,387	40,123			
	£387,957	£457,203			
Add:					
Income from Trade Investments—gross:					
Other Companies in the Agency Group	22,384	36,951			
Others	5,248	6,025			
	27,632	42,976			
Other Investment Income—gross	9,618	10,796			
Interest on Loans to the Agency—gross	85,068	101,644			
	122,318	155,416			
	2,348,269	2,115,722			
NET INCOME BEFORE TAXATION (Brought Forward) ...			2,115,722		
TAXATION ON PROFIT FOR THE PERIOD					
United Kingdom:					
Excess Profits Levy			100,000		
Profits Tax			900,000		
Income Tax			75,000		
Amounts set aside for Equalisation of Taxation			1,075,000		
Dominion			3,726		
			1,078,726		
BALANCE OF INCOME AFTER TAXATION APPLICABLE TO THE GROUP			1,036,996		
Deduct: Profit retained by Subsidiary Companies			18,553		
BALANCE OF INCOME AVAILABLE TO THE PARENT COMPANY			1,018,443		
Deduct:					
Dividends paid and recommended—less					
Income Tax:—					
5% Cumulative Redeemable First Preference Stock			38,354		
5½% Non-Cumulative Redeemable Second Preference Stock			23,787		
Ordinary Stock or Shares			150,030		
			212,171		
INCOME RETAINED BY THE PARENT COMPANY			806,272		
Allocation to General Reserve			800,000		
UNAPPROPRIATED SURPLUS			6,272		
Surplus brought forward at 27th September, 1952			637,528		
SURPLUS CARRIED FORWARD AT 3RD OCTOBER, 1953			£643,800		

THE LANCASHIRE STEEL CORPORATION LIMITED

and Subsidiary Companies

Consolidated Balance Sheet as at 3rd October, 1953

27th Sept., 1952 £	£	£	27th Sept., 1952 £	Cost £	Accumulated Depreciation £	£
CAPITAL			FIXED ASSETS			
Issued Capital of The Lancashire Steel Corporation Limited	5,660,676	5,660,676	Freehold and Leasehold Land	242,650	—	242,650
CAPITAL RESERVE			Buildings, Roads, Railways and Wharf	1,261,711	384,822	876,889
Excess Profits Tax Post War Refund	51,612	—	Plant and Machinery	7,964,886	3,219,866	4,745,020
REVENUE RESERVES			Office Furniture, Motor Vehicles and House Property	244,038	140,946	103,092
General	4,000,000	5,655,564	Development Expenditure and Construction Work in Progress	550,918	—	550,918
Trading Stock	825,000	825,000		<u>£10,264,203</u>	<u>£3,745,634</u>	<u>6,518,569</u>
Profit and Loss Account (including £43,330 subject to Exchange restrictions)	750,419	775,244				
	<u>5,575,419</u>	<u>7,255,808</u>	Land—At estimated cost at date of Merger (1st January, 1930) plus additions since at cost, less sales.			
TOTAL CAPITAL AND RESERVES	<u>11,287,707</u>	<u>12,916,484</u>	Other Assets—At cost since 1st January, 1930			
FUTURE UNITED KINGDOM TAXATION			Loose Plant and Tools—As valued by the Companies' Officials	211,837		210,287
Income Tax due on 1st January, 1955	864,500	864,500	Trade Investments—At cost	265,379		30,483
Amounts set aside for Equalisation of Taxation	663,500	663,500		<u>6,328,918</u>		<u>6,759,339</u>
	<u>1,528,000</u>	<u>1,528,000</u>	TOTAL FIXED ASSETS			<u>275,500</u>
CURRENT LIABILITIES AND PROVISIONS			INVESTMENTS IN COMPANIES WITHIN THE AGENCY GROUP—At cost			
Creditors and Accrued Charges: Companies in the Agency Group	£ 56,022	£ 56,022	CURRENT ASSETS			
Other Creditors and Accrued Charges	1,512,468	1,568,490	Stock and Work in Progress—At cost or market value, whichever is the lower		9,304,751	
United Kingdom Taxation	1,381,373	1,381,373	Trade Debtors: Companies in the Agency Group	111,876		
Dominion Taxation	3,726	3,726	Other Trade Debtors	1,331,571		2,023,747
Provisions for: Relining, Maintenance and Deferred Repairs	731,580	731,580	Other Debtors and Payments in Advance			135,556
Employees' Pensions and Benefits	116,410	116,410	British Government Securities—At market value			401,775
Dividends payable to the Agency—Net	133,703	133,703	Iron and Steel Holding and Realisation Agency—Loan and Accrued Interest			2,500,000
	<u>3,935,282</u>	<u>3,935,282</u>	Balance with Bankers and Cash in Hand			2,979,098
	<u>£17,562,930</u>	<u>£18,379,766</u>				<u>11,344,927</u>
			JOHN E. JAMES } Directors.			<u>£18,379,766</u>
			CRAWFORD }			

NOTES ON THE ACCOUNTS

1. Iron and Steel Holding and Realisation Agency. References to the Iron and Steel Holding and Realisation Agency ("the Agency") should, in relation to periods prior to 13th July, 1953, be read as applying to the Iron and Steel Corporation of Great Britain.
2. Commitments for Capital Expenditure. Outstanding commitments for Capital Expenditure amounted approximately to:

	3rd Oct., 1953	27th Sept., 1952
(a) The Lancashire Steel Corporation Limited	£1,400,000	£320,000
(b) Subsidiaries in the United Kingdom	150,000	235,000
	<u>£1,550,000</u>	<u>£555,000</u>
3. Development Expenditure and Construction Work in Progress. It is not proposed to provide Depreciation on Development Expenditure and Construction Work in Progress until the financial year in which the assets concerned come into operation.
4. Trade Investments. There is an uncalled liability of £20,000 on a Trade Investment of the Parent Company.

5. General Reserves.

	The Group
At 27th September, 1952	£ 4,000,000
Provisions no longer required: Relining, Maintenance and Deferred Repairs	310,000
Taxation	100,000
Amounts set aside for Equalisation of Taxation	90,000
	<u>500,000</u>
Excess of distributions received during year over cost (less distributions received to 27th September, 1952) of certain Trade Investments	303,952
Excess Profits Tax Post-War Refund, transferred from Capital Reserve	51,612
Transfer from Profit and Loss Account	800,000
	<u>£5,655,564</u>
At 3rd October, 1953	<u>£11,344,927</u>
6. Relining and Rebuilding. In arriving at the Manufacturing and Trading Profit the amounts charged for Relining and Rebuilding of Furnaces and Coke Ovens exceeded the actual expenditure thereon by £62,053. For the 52 weeks ended 27th September, 1952, the amounts charged fell short of the expenditure by £27,718.

REPORT BY THE AUDITORS

We report to the Members of The Lancashire Steel Corporation Limited that we have audited the Books and Accounts of the Corporation for the 53 weeks ended 3rd October, 1953, and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper Books of Account have been kept by the Corporation so far as appears from our examination of those Books. The annexed Balance Sheet is in agreement with the Books of Account. In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet, with the above Notes on the Accounts, gives the information required by the Companies Act, 1948, in the manner so required and gives a true and fair view of the state of the Corporation's affairs as at 3rd October, 1953.

We have also examined the annexed Consolidated Balance Sheet as at 3rd October, 1953, and Consolidated Profit and Loss Account for the 53 weeks ended on that date of the Corporation and its Subsidiaries with the audited Accounts of those Companies, certain of which have not been audited by us. In our opinion the Consolidated Balance Sheet and Consolidated Profit and Loss Account, with the above Notes on the Accounts, have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as to give in the case of the Balance Sheet a true and fair view of the state of affairs and in the case of the Profit and Loss Account a true and fair view of the profit of the Corporation and its Subsidiaries regarded as a single undertaking.

MANCHESTER.
16th January, 1954.

THOMSON McLINTOCK & CO.,
Chartered Accountants.

COMPANY MEETINGS

LLOYDS BANK LIMITED

LARGER PROFIT AND DIVIDEND

NATION'S PROGRESS IN POSTWAR YEARS

SUCCESS OF EXPORT DRIVE

BENEFITS OF MORE ORTHODOX MONETARY TECHNIQUES

LORD BALFOUR OF BURLEIGH ON NEED FOR SAVING

The annual general meeting of Lloyds Bank Limited will be held on February 12th at the Head Office of the Bank, 71 Lombard Street, London, E.C.

The following is the statement by the chairman, the Rt Hon Lord Balfour of Burleigh, DCL, DL, accompanying the report and accounts for the year ended December 31, 1953:

My lords, ladies and gentlemen,—

In March, 1953, the Rt Hon Sir Oliver Franks, GCMG, KCB, CBE, was elected to the board of the Bank. After rendering conspicuous service in the Ministry of Supply throughout the war Sir Oliver became its Permanent Secretary in 1945, but returned to Oxford as Provost of Queen's College in 1946, only to be recalled to Government service in 1948 as our Ambassador at Washington. In June, 1953, his appointment as deputy chairman of the Bank was announced. A great variety of public work in many different fields lay open to Sir Oliver after his return from his notably successful term of office in Washington, and we count ourselves extremely fortunate to have secured his services for our Bank.

I refer with special pleasure also to the appointment of Sir Jeremy Raisman, GCIE, KCSI, in June, 1953, as deputy chairman of the Bank. Sir Jeremy has rendered outstanding service as a director and since his appointment in 1947 as vice-chairman. The Bank is most fortunate in the prospect of Sir Jeremy's services as deputy chairman.

Sir Patrick Hamilton, Bt, has been appointed a director. He brings valuable industrial knowledge and experience to the service of the Bank.

With deep regret I have to record the resignation owing to impaired health of Lord Ramsden, who had been a director since 1942. I am very glad to be able to add that Lord Ramsden will retain his chairmanship of our Yorkshire District Committee.

I regret also having to record the resignation of Sir Henry Upcher from the Eastern Counties Committee, owing to failing health. Mr A. I. Baker, CBE, has been appointed a member of that committee.

I record with pleasure the conferment of the honour of GCVO on Lord Scarbrough and of a knighthood on Sir Reginald Verdon Smith.

Sir John Carew Pole, Bt, DSO, TD, has been appointed a member of our Devon and Cornwall Committee, which has suffered loss by the death of Mr D. M. Petherick.

AMERICAN VISIT

In the spring of 1953 I had the pleasure of visiting the United States and Canada accompanied by my wife. We met every-

where a most kindly and hospitable reception, not only at the hands of banking friends all over North America, to call upon whom was the primary purpose of my visit, but from business and other circles with whom we came into contact.

Wherever I went I was given the opportunity to talk about Britain's economic problems, and while questions put to me were sometimes critical, there was no mistaking the universal interest in and earnest hope for Britain's economic recovery.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

Turning now to our profit and loss account and the balance sheet, our profit at £2,083,781 is £119,116 higher than last year, but should the steady decline in our loans and advances persist and the growth of our staff costs and running expenses continue, our future earnings may not be maintained at the present level.

With regard to the increase of 2 per cent in the dividend, making 14 per cent for the year, which members will be asked to approve, I emphasise what I have indicated on previous occasions, that it has been considerations of public policy which have been largely in your directors' minds in recent years in refraining from altering our rate of distribution. But—and especially in our own case, as our reduction was more drastic than that of others—it has become at last a matter of simple justice to the shareholder that we should permit some alleviation of the restraint which we have so long imposed on ourselves and on him.

It is considered desirable to strengthen our published reserves, and a sum of £500,000 has been added to general reserve, making the total of the reserve fund £16,500,000.

An amount of £300,000 has been allocated to reserve for future contingencies.

Referring to the balance sheet, our current deposit and other accounts at £1,204 million show an increase of £35 million.

The principal changes in our assets are increases of £50 million in our holding of Treasury Bills and £4 million in our investments.

In conformity with the general trend of bankers' advances, as a result of the restrictive lending policy our loans and advances show a reduction of £21 million, the largest falls being in the categories of public utilities and personal and professional borrowers.

INDIA, PAKISTAN AND BURMA

There was no pronounced improvement in trading conditions in India and Pakistan during the past year and import and export trade remained at a low level, with a con-

sequent reduction in the activities of the British Exchange Banks. There are, however, some encouraging signs, including an improvement in the prices of certain of the primary products which bulk so large in the economy of both countries.

Industrial development, too, both in India and Pakistan, is proceeding at an increasing pace which in the long run should increase the demand for British exports, which it is essential should be competitive both in price and delivery with those of other European countries; at the same time these developments should give rise to an increase in the demand for banking services.

Our branches in both countries have maintained their position and the high standard of service they have always shown in the past.

In Burma there has been relatively little change, our branch in Rangoon having maintained its business at about the same level; conditions generally, however, militated against any expansion.

My warm thanks go to the officials and staff of all our Eastern branches who continue to give of their best in very trying conditions.

STAFF MATTERS

In my statement last year I referred to the excellent relationship subsisting between the bank and the staff. An overwhelming proportion of our staff are members of our Staff Association which exists for the joint objects of safeguarding the welfare of the staff and of forwarding the interest of the bank.

During the last year we concluded an arbitration agreement with our Staff Association by the terms of which machinery is prescribed for setting up an independent arbitration tribunal in the event of failure to reach agreement upon any matter under discussion between us. Adequate conciliation machinery between employers and employed is an essential part of a proper relationship, and the negotiation of this agreement has been concluded in a most friendly atmosphere.

As shareholders will remember, our Staff College at Eyehurst was opened in the spring of 1948. After five years' experience it is a great pleasure to record its unqualified success. Fifteen senior courses and nine junior courses have been held in which respectively 552 and 323 men have participated, and it is our intention that in future the bulk of men nominated for a senior course will have had the benefit of a junior course beforehand. We are more than satisfied with the results achieved.

The establishment of our Training Centre at Hindhead was mentioned in my 1951

statement. Comprehensive schemes dealing with the preliminary training of new entrants, both young men and young women, are now in full operation and we have reached the interesting stage when some men who passed through the Centre in 1950 as new entrants are proceeding on a junior Staff College course at Eghurst during this spring. The work of the Training Centre is proving its value in the instruction of our new entrants.

Both our establishments are fully residential and have a high standard of training and accommodation. The existence of these centres is a factor in helping us to establish that high standard of performance which is essential if the quality of the Bank's service to the public is to be maintained.

PREMISES

One of our departments which has not previously figured in my annual survey is our premises department, and I think shareholders will be interested to have some details of the excellent work of new building and reconstruction which goes on continuously.

The arrears of maintenance and alterations which had accumulated during the war years were very large, and it was only during 1953 that we were able to overtake the major part and bring most of our premises into good order.

In addition to ordinary maintenance, 22 new offices have been provided either for new branches or for existing branches.

For 1953 the most notable event was the opening for business in October of our completely new building, replacing a war casualty, at Exeter. The building, besides accommodating our Exeter branch and the local branch of the executor and trustee department, also provides accommodation for the district manager of Devon and Cornwall and the area staff controller.

During 1954, apart from maintenance and alterations, we contemplate rebuilding five more branches which were destroyed by bombing and providing new buildings for seven other branches.

THE POSTWAR RECORD

Since it was at the beginning of 1946 that I had the honour of becoming chairman of this bank, my annual statements to shareholders form a series extending over the entire period since the war. On previous occasions my remarks have been devoted mainly to a review of economic developments during the preceding twelve months and of the problems which appeared most urgent at the particular moment. It is my intention this year to take a rather broader canvas and to look at the postwar period as a whole.

When problems of reconstruction were discussed during the war, it was common to place the so-called "transition period" at five years; this was, for example, the interval allowed in the constitution of the Bretton Woods institutions. Perhaps it was unduly optimistic to suppose that the world economy could return to something like normality within so short a space of time; we shall never know, for precisely five years after the end of the war came the invasion of Korea. The peaceful progress of rehabilitation was violently disrupted. The free nations were called upon to assume a vast new burden of defence and rearmament; and the sudden upsurge in commodity prices resulting from the scramble for strategic commodities meant a renewed outburst of inflation.

To a large extent, the economic impact of Korea has now in turn spent itself. The phase of the expansion of armaments has

largely been completed; most commodity prices have returned to something like their early 1950 levels. For a year or more the world economy has been spared any major new disturbances. In spite of the readjustments which are now taking place, North American production remains at a high level. Consequently, world trade also remains at a high level and is even in a state of approximate balance, however precarious. We are, in short, at a moment of slack water. Whether this means that the tide is on the turn, in the world as a whole, from a period of inflation to a period of deflation only the future will show; it is, in any event, a suitable point at which to examine our achievements and failures during the past eight years.

TWO BASES OF COMPARISON

In appraising our record over this period, two obvious measuring-rods present themselves: the record of the corresponding eight years after the first world war and the record of other countries after this war.

Nobody would deny that on this occasion we have in most respects done much better than after 1918. For the great mass of the industrial population the years after 1918 were a grim period of hardship and apprehension; for the ordinary man the past eight years have seemed by comparison uneventful and secure. It has not, of course, been all honey. For some time we all suffered much inconvenience from shortages of various kinds, and it is only now that we are being freed from rationing and other irksome restrictions. In the textile areas there was for a time quite severe unemployment. Nevertheless, taking the country as a whole and the period as a whole, the distinguishing feature has been the high level and stability of employment. The recurring violent crises in the balance of payments have not touched the man in the street, who still remains unaware of the dangers to our national livelihood that threaten a rude awakening.

There is no need to dwell on the horrors of the earlier period, which the older generation must remember only too well. After a short-lived inflationary boom, there came a world-wide slump of devastating suddenness and intensity. In September, 1920, the rate of unemployment among trade unionists was 2.2 per cent; eight months later it was 22.2 per cent. Owing largely to the loss of our former overseas markets and the resultant depression of the export trades—which presented this country with an exceptionally difficult problem—unemployment thereafter seldom dipped below 10 per cent even in relatively good years; over the whole period from 1921 to 1938 it averaged nearly 14 per cent. Worst of all, the upheavals of boom and slump were attended by embittered industrial strife. Indeed, it is symbolic of the contrast between the two periods that, whereas 1926 will be remembered as the year of the General Strike, 1953 will be remembered as the year of the Coronation.

The trend of production has also been more favourable this time. After the first war it was not until 1927—nine years after—that the real national income at last rose above the prewar level. On this occasion, money incomes were, as early as 1946, sufficient to buy as large a volume of goods and services as before the war, though the things people really wanted to buy were often not available and there had been a widespread deterioration in quality. By 1950, industrial production is estimated to have been about one-third higher, and agricultural output about one-half higher, than before the war. Between 1946 and 1952, the output of all goods and services—the real national income—is estimated to have risen

by about 15 per cent and consumption by 5 per cent.

That does not mean, of course, that everybody shared in a rising standard of living. After payment of taxes, the real purchasing power of wage incomes, taken as a group, has risen by about one-third. And that does not take account of social service benefits. On the same basis, the collective value of all other incomes has fallen by something like a fifth or even a quarter. For conditions of creeping inflation, as I have not failed to stress in previous statements, have meant great hardships for those whose incomes are fixed in money terms. Such people were far worse off in 1953 than in 1938.

SUCCESS OF EXPORT DRIVE

Another striking contrast with the post-1918 period is to be found in the success of the postwar export drive. During the war our export trade was virtually closed down in the interests of the war effort; many important markets had to be recaptured afresh; yet in spite of this handicap our exports at their peak have been raised some two-thirds above the 1938 volume. It is true that this result was achieved under exceptionally favourable conditions, with our overseas customers in the main highly prosperous, with the American boom creating an environment of expanding world trade and with German and Japanese competition absent or greatly reduced. Under such conditions we could almost certainly have done better still had our internal finances been handled differently; but the actual achievement is very substantial.

In the years after the 1914 war, exports never recovered to more than about three-quarters of their prewar level. Yet our external position, paradoxically, was more satisfactory after the first war than it has so far been after this one. If exports were depressed after 1918, the need for exports was also reduced, since the world-wide collapse in prices meant a considerable shift in our favour of the terms of trade. With exports well below the 1913 level, we nevertheless managed to achieve in most years a substantial balance of payments surplus. As prices fell the value of sterling rose, until in 1925 we were able to return to the gold standard at the prewar parity of \$4.86. In retrospect, that was no doubt a great mistake—a mistake, that is, of tactics (i.e., the exchange rate chosen) and not of strategy (i.e., the objective of stable rates of exchange). In any case, the unfortunate result of the 1925 decision does not alter the fact that this time we have staggered from crisis to crisis, that our external payments are only precariously in balance, even though the United States has been enjoying a tremendous boom, that our external reserves are quite inadequate and the convertibility of sterling—which is absolutely essential to our long-run salvation—is still a matter of argument and not of fact.

In short, the two postwar periods present a double contrast: after the first war, deflationary conditions at home accompanied by external solvency; after this war, inflationary conditions at home accompanied by serious balance of payments troubles. This is, of course, no coincidence. Every body now realises that an excessive level of home demand is bound to upset the balance of payments. We have not in fact managed to strike the proper balance between inflation and deflation. With just a little more restraint in the demands made upon our limited resources it should have been possible—in spite of the very real difficulties confronting us—to avoid the succession of crises which have left us vulnerable to any small recession in the outside world. As it is, our external reserves—and the value of sterling—have had to be sacrificed.

COMPARISONS WITH EUROPE

Let me now take up my second yardstick and compare our experience with that of other countries since 1945. In appraising our own postwar achievements we must, of course, leave North America out of account entirely when seeking a basis of comparison. By 1946, American production was already double the prewar level and is now about two and a half times the prewar level. The fairer comparison is with the other countries of Western Europe.

At first sight we seem, by this test also, to have done extremely well. According to the statistics compiled by the organisation for European Economic Co-operation, industrial production in the other countries of Western Europe, taken as a group, was as late as 1948 still well below prewar level, while our own was well above it. By 1950, the increase of about one-third in our industrial production compared with prewar was exactly twice as much as that achieved by the other members of OEEC. Unfortunately, these figures include Germany, and if that country is excluded as a special case a very different picture emerges. When that is done, it appears that even in the early post-war years we did very little better than our neighbours across the Channel, and on balance over the whole period to 1950 we just kept pace with them.

PROGRESS ON CONTINENT

What is disconcerting is that in the general progress of Western Europe since 1950 this country seems to have been left behind. Due mainly to the slump in textiles, a number of other countries also experienced some setback in 1952. But the United Kingdom was almost the only European country in which industrial production for 1952 showed no increase whatever on 1950. The Continental members of OEEC, as a group, registered an expansion of 11 per cent between the two years, even if one continues to exclude Germany, where the increase was 28 per cent. By 1952, production in France, for example, showed a substantially greater rise over the prewar level than our own.

In the last few months, it is true, British production has been moving ahead once again beyond the 1951 peak levels, but the rate of increase has been easily exceeded in some other European countries, and is almost certainly not above that for the OEEC group as a whole. Moreover, it is not in respect only of industrial production that we seem in recent years to have been lagging behind. More disquieting still, since 1950 our merchandise exports have declined while the export trade of the other members of the OEEC group has risen—and that is still leaving Germany out of account. The economic resurgence of Germany—assisted no doubt by comparative freedom from defence burdens but nevertheless based upon hard work—is clearly going to confront us with most formidable competition from now on.

Statistics always require careful interpretation and doubly so when used for international comparisons. It may be that the indices of production make insufficient allowance for the preparatory work which has gone into building up our defence effort. But that would not change the general picture. It seems beyond reasonable doubt that a comparison of our recent progress with that of our continental neighbours is discouraging. To what is this result to be attributed? In previous statements I have left no doubt of my view that the source of a great many of our troubles resides in the financial conditions in this country throughout the postwar period: to be precise, in the combination of over-taxation and creeping inflation.

EXCESSIVE MONEY SUPPLY

To a large extent, the economic history of the postwar period is already implicit in three simple figures for the year 1946. Taking the corresponding figure for 1938 as 100 in each case, we arrive at the following indices for 1946:

Money incomes	172
Public expenditure	345
Money stock (i.e., currency and bank deposits)	236

Even allowing for the rise in money incomes, in other words, the burden of public expenditure had doubled; hence the excessive weight of taxation which has been one of the outstanding features of Britain's postwar economy. Secondly, the stock of money had risen nearly half as much again as the level of incomes. The crude quantity theory of money is subject to many qualifications. Nevertheless, there was a reasonable presumption that, if this stock of money were to remain in existence, the real national income would have to increase by something like a third if prices were to be prevented from rising.

Far from being reduced, the stock of money was actually increased (mainly through Mr Dalton's cheap money drive) by a further 16 per cent between 1946 and 1952. Over the same period, the real national income is estimated to have risen by only 15 per cent—but the prices of all goods and services rose by 41 per cent. The potential inflation bottled up by physical controls in 1946 has gradually made its way into the open, as it was, of course, bound to do.

On previous occasions I have shown the manifold ways in which over-taxation and creeping inflation undermine our economy, so that there is no need for me to go over this ground in any detail. The important things are that over-taxation militates against all-out personal effort and extinguishes personal saving, while creeping inflation encourages excessive consumption and impedes the necessary expansion both of our capital goods industries and of exports. These are evils whose effects can only manifest themselves after a certain time but which in the long run will be cumulative. They would be quite sufficient to account for the waning impetus of recovery and for the precarious state of our balance of payments, which are our major national problems.

INADEQUATE SAVINGS

There is ample evidence that the supply of savings in postwar Britain has been quite inadequate to enable us to fulfil our national tasks. The clearest proof is, of course, our inability to achieve a sufficient surplus in the balance of payments to make our due contribution to the development of the Colonies and other parts of the Commonwealth. The latest balance of payments figures, for the first half of 1953, may not be so bad as they look, because in 1952 we were running down stocks and last year were probably building them up again. Nevertheless, it is disturbing to find our payments little more than in balance, with American purchases from the test of the world at boom levels and with the aid of discrimination on our part against dollar imports.

Quite apart from the external balance, however, it is clear that we have been consuming too much of our current production and making too little provision for the future. Over the five-year period 1948-1952 we devoted on the average just over one-eighth of our total output to the formation of capital in all forms. For a group of six Continental countries the lowest comparable figure is one-fifth of total output and the average over one-quarter. In other words, in many European countries the

proportion of resources devoted to building up the national capital has been double that in this country. Nor is it the case that the share of this capital investment going to productive industry (as distinct from housing and the Government sector) has been greater here than elsewhere. It may be argued that what matters is not gross capital expenditure, which includes expenditure needed to maintain existing capital intact, so much as net additions to capital, which alone help to raise the level of future production. This does not turn the comparison very much in our favour; in the six Continental countries mentioned, net capital formation has been on the average half as large again in relation to national income as in this country.

The unhealthy trends in the supply of savings are quite apparent if we examine the nation's capital account for the five-year period 1948 to 1952. We find that, after providing for the maintenance of physical capital, persons and "unincorporated business" (for example, professional people and traders other than limited companies) have been drawing heavily on past savings over the period as a whole. This is probably the most serious feature of the whole situation.

Similarly, the public corporations (which means essentially the nationalised industries) had on the same basis a sizeable current deficit for the period. This deficit, as well as the large net investment of over £1,000 million in these industries, fell to be financed by others. It is clear that the strain on an inadequate total supply of savings has been all the greater because the nationalised industries have fallen so far short of providing for their own capital requirements.

By the same criteria the local authorities had a small current surplus, but only after receiving more than £1,500 million in grants from the central government, which in addition financed most of the local authorities' net investment (mainly in housing) of well over £1,500 million. The combined effect of housing subsidies and rent restriction has been greatly to exaggerate the housing shortage. If rents, in real terms, had not been so sharply reduced, the burden imposed on the national exchequer by the finances of the local authorities might have been appreciably smaller.

Apart from the national exchequer, public and private limited companies alone, taken as a group, had a balance of savings left over after financing their own net investment. This resulted partly from the wide profit margins characteristic of a period of inflation but also from dividend limitation and from the restraints, at times severe, imposed on private investment.

TOO MUCH PLOUGHING BACK

With other sources of risk capital so constricted, it is obviously better that companies should have had ample undistributed profits to plough back than that they should have been impeded by lack of earnings. None the less, the excessive degree to which industry now has to depend on the ploughing back of profits has its drawbacks. There is no guarantee that expanding industries will get their proper share of the available savings, or that new enterprises will be able to find capital at all.

Once a business has made adequate reserve provisions it is much the best thing, under normal conditions, that profits surplus to the requirements of the business should find their way back, via a healthy investment market, to those enterprises that can make the most profitable use of additional capital, and whose growth—or even foundation—may well be frustrated under present conditions. It is clear that no sufficient substitute has been found for the private investor as the source of the risk capital which is the life blood of enterprise, and equally clear that the private

investor cannot provide risk capital on the necessary scale unless he has the income out of which to invest.

Maldistribution of company saving and a resultant slowing down of industrial progress is part of the concealed price that we pay for maintaining conditions in which dividend increases (or, for that matter, tax concessions to the saving and investing classes) are inhibited by fears of aggravating the wages spiral.

HEALTHIER ATMOSPHERE

Some people may feel that the evils we have been discussing are now things of the past, that in the last year or so we have turned over a new leaf. There has undoubtedly been some improvement in the financial climate since the return to more orthodox monetary techniques two years ago. The cost of living has been steady for many months past, though retail prices have yet to reflect to any marked extent the decline in wholesale prices. It has been possible to remove many important commodities from rationing or control without untoward effects; the complete abolition of food rationing is foreshadowed for the near future.

Externally, the balance of payments has been steadily on the credit side for eighteen months. Thanks to the improvement in the terms of trade we have got through 1953 without the usual odd-year crisis. Our sterling liabilities have been greatly reduced and are in fact slightly lower today than in 1945, which means that they represent now a very much smaller real burden than they did then. The reopening of some of the major commodity markets has enlarged the usefulness of sterling to overseas holders and the restoration of other markets is in prospect. Sterling holds firm in relation to the dollar and is no longer quoted in any market at more than a trifling discount.

All this makes a heartening catalogue of improvement. Can we, all the same, claim to have got rid of over-taxation or of creeping inflation? It is some consolation that in spite of the greatly increased burden of defence since 1950 it has been possible to prevent taxation absorbing a still larger proportion of private income; nevertheless, the level of public expenditure, and the dead weight of taxation which that carries with it, remains one of the chief obstacles to our future stability and progress.

RECORD BANK DEPOSITS

As to inflation, it is a matter for regret that the new monetary policies introduced in November, 1951, have not in fact meant a reduction in bank deposits. On the contrary, Lloyds Bank's seasonally adjusted index of deposits has for some months been standing at record levels. Indeed, although the advances of the clearing banks have been reduced by a further £67 million over the past twelve months, fresh governmental demands on the banking system have been responsible for a further rise of well over £200 million in net clearing bank deposits.

The major banking trends since the adoption of the new monetary policies in November, 1951, are summarised in the table below. It will be seen that in the first twelve months, taken as a whole, bank advances were sharply curtailed and at the same time we lost nearly £300 million of gold and dollar reserves. That these movements were not reflected in any contraction in bank deposits was due to very heavy government borrowing from the banking system. During the second twelve months, admittedly, the expansion in deposits can be explained almost wholly by the finance of the very welcome recovery in our gold and dollar

reserves. Nevertheless, I should be happier if we had been funding bank deposits over the past year instead of creating some £200 million of additional purchasing power,

CHANGES IN:

	Nov., 1951 to 1952	Nov., 1952 to 1953	Nov., 1951 to 1953
"Net" Clearing Bank Deposits	+ 1	+219	+220
Advances and Commercial Bills	-277	- 70	-347
Other Principal Assets of Clearing Banks*	+274	+292	+566
Gold & Dollar Reserves	-290	+238	- 52

* In the main, an increase in these assets reflects direct or indirect lending to the Govt. sector.

particularly as it is the official view that the general situation calls for the maintenance of the restrictions on bank lending.

WAGES SPIRAL CONTINUES

It is disquieting that the recent increase in output has gone so largely into personal consumption, that it has brought so little increase in exports to match the rising trend of imports. Moreover, though retail prices have been stable for many months past, the wages spiral continues. One of the basic questions is whether it will prove possible to resist wage demands which are not justified by higher productivity. We must continue to give thanks for the restraint and sense of responsibility shown by most of the leaders of the trade union movement, to which I have paid tribute in previous years; but until the wages spiral is arrested the value of money must continue to decline and we cannot claim really to have mastered inflation.

Finally, it is regrettable that in spite of the greater strength of sterling to which I have referred, yet another year has passed without bringing convertibility visibly nearer. The sterling area, like the world as a whole, has been nearer to dollar balance. Unfortunately, the dollar gap could reappear overnight if the slight downturn already perceptible in American production should develop into a real recession; and our gold and dollar reserves are in no shape to take the strain which that would impose.

The great impediment to convertibility—on which depends the survival of the sterling area and a great deal else—is thus the dangerously low level of our reserves. Experience over the past year has confirmed, what was already apparent, that we cannot hope out of current trading surpluses alone to raise these to a level that would justify the plunge into full convertibility. The only alternative would be some special measure designed to strengthen the liquidity of the sterling area, which implies the co-operation of the dollar countries and above all of the United States. Last year I expressed the hope that this problem would receive the priority it deserved in the programme of the newly elected President. It is the great disappointment of 1953 that those hopes have not been realised.

CONCLUSION

Summarising my analysis of the postwar period, I cannot escape the conclusion that our position must still occasion grave concern. It is true that the acute peril of two years ago has been surmounted. The immediate threat to the stability of the pound sterling has receded. We have a breathing space gained by our own efforts, with the help of some good fortune. But before we can face the future with confidence, two things are necessary, both of them

dependent upon an adequate supply of savings.

First, we need a great increase in the volume of productive investment at home, for we cannot hope to hold our position in world markets unless the rate of modernisation of our industrial equipment at least keeps pace with that of our competitors. Secondly, our overseas earnings must somehow be increased until these are sufficient not merely to pay for our food and raw materials in a good year but to leave a substantial surplus year in year out.

In this context, I recall Mr Butler's statement that an annual surplus of the order of £300 million is needed if we are to play our proper part in the development of the Commonwealth. In fact we are still barely paying our way, even though world trading conditions could scarcely be more favourable. Unless we can do much better than we are doing, even a minor recession in world trade—such as can hardly be avoided at some time during the next few years—would mean a fresh relapse into acute difficulties, while the long-term outlook would be bleak indeed.

INFLATION STILL EXISTS

Can we feel sure that our internal policies are directed above all else to the achievement of these supreme objectives? Notwithstanding the progress made in checking inflation during the past two years, the continuance of the wages spiral is sufficient evidence that inflation persists. We have to ask ourselves whether the last two budgets have after all been sufficiently realistic. Moreover, it is clear that monetary policy in the sense of higher rates of interest alone cannot do everything. If we wish to ensure that the pound maintains its value, that manpower finds its way to the right industries, that increased output goes into exports or capital formation and not into consumption, then an expansion in bank deposits is not the best way to promote those aims. It is the inescapable duty of the Government to put a stop to inflation at its source, which is the additional supply of money derived from Government spending. The question which still awaits an answer is whether any Government can today hope to survive the unpopularity which effective disinflation would provoke.

Without effective disinflation, maximum production of the right things is not within our reach, though in addition it requires the fullest co-operation of capital and labour. To secure this co-operation is more than ever the essential task of management. I take for granted that labour is entitled to a real status of partnership in industry, and I believe that more thought than ever before is being devoted to the best means of making that a reality for the rank and file. Nothing would do more to secure enthusiasm for productivity. But I wish it could be more generally understood by labour that abnormally high profits are a product of inflation just as is the wages spiral which steadily lowers the purchasing power of the pound. One cannot blame the workman for seeking higher wages to compensate for higher costs of living or the shareholder for a similar reaction about dividends. But what must not be overlooked is that profits are not merely the reward of the shareholder; they are also the ultimate source of the risk capital which alone can provide the basis of future industrial progress.

And I am sure the hard fact is not sufficiently realised that no one in the world owes us a living and that, utterly dependent as we are on the sale of exports in a buyers' market, nothing will get us through but tremendous efficiency and the fullest competitive power.

BARCLAYS BANK LIMITED

CAPITAL AND RESERVES ENLARGED BY REORGANISATION SCHEME

AN EVENTFUL YEAR

NEED FOR RUTHLESS CURTAILMENT OF GOVERNMENT'S CIVIL EXPENDITURE

EVILS OF OVERTAXATION

MR A. W. TUKE'S PLEA FOR THE MIDDLE CLASSES

The annual general meeting for the year 1954 of the stockholders of Barclays Bank Limited will be held at the head office, 54 Lombard Street, London, E.C., on February 10th.

The following is the statement of the chairman, Mr Anthony William Tuke, on the report and accounts for the year ended December 31, 1953, which has been circulated to stockholders:

During the past year we have suffered the loss by death of one of our colleagues, Mr Humphrey Brand. A landowner in Sussex, he started his career in the Royal Navy, but in 1925 he joined the bank, becoming a local director first at Lewes and subsequently at Brighton when our two local head offices in those areas were amalgamated. He was elected to the board in 1945, and his premature death has brought great sadness to us all.

We are also very sorry that Mr Lionel Buxton, one of the directors retiring by rotation, has decided owing to his age not to seek re-election. Mr Buxton's early executive appointments in the bank were successively at Fakenham, Yarmouth and Hull, but he is perhaps best known as having been our senior representative in Paris, where he spent the years from 1922 to 1937. With Mr Buxton's retirement from the board there will come to an end a connection with his family whereby a period of 88 years has been covered by only two generations, Mr Buxton's father, Mr Samuel Gurney Buxton, having become a partner in Gurney's Bank in Norwich in 1866 and an original director and vice-chairman of the limited company in 1896 until his death in 1909; his eldest son, Mr Edward Gurney Buxton, having been a director from 1909 until his death in 1929, and Mr Lionel Buxton a director from 1929 until 1954.

Two others of those retiring by rotation, Lord Dudley Gordon and Mr Quintin Gurney, have reached the age of 70, and, as stated in the notice of the meeting, resolutions will be proposed for their re-election or a further term.

We have appointed three new directors during the year: Sir Matthew Drysdale, who has recently completed a term of four years as chairman of Lloyd's, Mr A. D. Marris, who is a managing director of Lazard Brothers and Company Limited, and Mr T. C. Dundas, who is an executive local director of the bank in the Brighton and Lewes district. To all three we offer a sincere welcome as colleagues in our counsels.

I also wish to refer to the impending retirement on pension of our senior general manager, Mr G. F. Lewis, after a lifetime of most valued service to the bank, for many years in the Birmingham area and more recently at head office. Although Mr Lewis is giving up his executive post, I am glad to know that his dynamic energy and encyclopaedic knowledge of banking will not be lost to us, since there are plans whereby we shall retain the benefit of his services elsewhere within the group. On Mr Lewis's retirement there will be some rearrangement

of the duties of the general managers. Mr J. D. Cowen, who has recently been occupied mainly but not exclusively on staff matters, will in future concentrate his attention on general duties, and we are reverting to our former policy of designating one of our general managers as general manager (staff). To this post the board have appointed Mr Austin G. Boyd, who has served as a local director successively at four local head offices in the Home Counties, and Mr Boyd has already taken up his new appointment.

EFFECT OF RECONSTRUCTION SCHEME

Perhaps the most interesting feature of our balance sheet this year is the change in the form of our capital account and the increase in the total of our capital and reserves, reflecting the effects of the reorganisation scheme which has just been completed. In place of an issued capital of £15,858,217, with an approximately equal amount in the reserve fund, we now show an issued capital of £22,914,703, and a reserve fund which, after being augmented by a transfer from profit and loss to which I refer later, now stands at £12,750,000. Thus the two accounts together amount to £35,664,703, as compared with £31,608,217 a year ago.

With the development in banking which has taken place in the last two generations, resulting in a much wider distribution of risk and an increase in liquidity, the question of the proportion of a bank's capital and reserve fund to its liabilities to its depositors has lost some of its old importance. It is perhaps of more practical interest to look at the relationship between the capital and reserve fund of a bank and its premises and trade investments, which certainly ought to be provided out of stockholders' money. Be that as it may, the addition of £4 million which we have recently made is a step in the right direction, even though it bears a very small proportion to our total liabilities to the public. Our scheme has also had the welcome effect of simplifying our capital structure, there now being only one class of stock in the hands of the public, all fully paid and quoted in units of £1. The directors were much gratified by the response made by the stockholders as a whole to the somewhat complicated scheme which was put before them. As was natural, there were certain questions and criticisms, but the voting at the extraordinary general meeting and the proxies received were overwhelmingly in favour of our proposals. I think it would be true to say that the questions and criticisms which reached us were almost wholly founded on a misunderstanding of the respective rights of the old "A" and "B" stockholders. As I set out in the explanatory letter which I sent to stockholders on October 22nd last, the capital of the company was originally in one class. When it was split into "A" shares which were fully paid and "B" shares which were partly paid, the rights attaching to the two portions of the old share remained unaltered, except that the amount which the fully paid

"A" shares were to be entitled to receive for any one year out of the distribution of profits was limited to 10 per cent on the amount paid up on those shares. The criticisms, though relatively very few in number, revealed some variation in content, but in my view they all failed to give full weight to this fundamental point.

DEPOSITS FOLLOW NORMAL COURSE

Our deposits have, during the course of the year, followed a fairly normal course, falling from £1,318 million at the beginning of the year to £1,243 million in March, and then rising steadily to £1,389 million in December, thus showing an increase of £71 million on the year. In so far as banking figures and indeed the figures of one bank alone can be taken as a criterion, it would appear that, although an increase in banking deposits normally implies increased inflation, there has in fact been little or no deterioration in the country's internal finances, when allowance is made for the growth in industrial production and for the surplus in the balance of payments.

INVESTMENTS

On the assets side, there has been an increase in our holding of Treasury Bills, although our support of the Government's funding operation in October had the effect of transferring £30 million out of this category into that of investments. Mainly as a result of this transaction, the total of our British Government Securities has increased from £441 million to £481 million. In accordance with the practice which we established last year, these investments are valued at under cost and below redemption price. The aggregate market price on December 31st was in excess of their book value. Our advances show a slight increase at the end of the year, although during the course of the year there has been some further contraction in bank lendings as a whole which, if other things were equal, would produce a similar contraction in bank deposits. The comparison of these figures is made difficult, and deductions unreliable, by the wide fluctuations in the borrowings of the nationalised Public Utilities, which at the present time are at a fairly low ebb. I have little doubt also that the progressive release of commodities from Government control, even though we may hope that it will have a beneficial effect on prices, will tend to make those who trade in these commodities lean at times a little more heavily on their bankers, a prospect which does not cause us any alarm.

RESERVES STRENGTHENED

There has been a moderate increase in our net profit this year, to which the reduction in the standard rate of income tax has contributed. We have thus been able, not only to increase the total dividend on the old "B" and "C" stocks, but also to set aside £873,119 to bring the reserve fund up to

£12,750,000. Stockholders will remember that as part of the scheme for the reorganisation of our capital we have already paid second interim dividends of 9 per cent on the "B" and "C" stocks, as compared with final dividends of 7 per cent last year, together with a second 5 per cent on the "A" stock; and there is therefore no recommendation in regard to any final dividend on this occasion.

DIFFICULTIES AND ACHIEVEMENTS

The year 1953 has been an eventful one, perhaps the most eventful and in some ways the most hopeful since the war ended in 1945.

First and foremost, the Coronation of Her Majesty the Queen. On this subject many loyal and appropriate words have already been spoken from pulpit and platform and have been written in the daily and periodical press throughout the civilised world. Mere words soon pass into oblivion, but a vivid and happy memory remains, not only to those few who were present in Westminster Abbey on June 2nd, but also to millions who through the miracle of television felt themselves to be actual participants in the sacred and moving ceremonial.

By a happy coincidence there synchronised with this great event the announcement that at last the ascent of Mount Everest had been accomplished, and that one of Her Majesty's New Zealand subjects and his faithful Nepalese companion, members of a British expedition, had succeeded in bringing to a triumphant conclusion a long series of gallant attempts which had hitherto fallen short of the ultimate achievement.

It is unfortunate that not all the parts of the Empire have been able to reflect the happy and high spirit of the Coronation. To speak only of territories with which we are directly concerned through the operations of Barclays Bank (Dominion, Colonial and Overseas), it is very regrettable that in Kenya, where the situation was allowed to get out of hand, the Government have not yet succeeded in regaining full control. More recently, disturbances have been threatened in British Guiana, fostered without doubt by Communist influences, and action has also had to be taken in Uganda; but on these occasions the Colonial Office, perhaps remembering rather belatedly that the business of Government is to govern, have lost no time in asserting their authority to maintain law and order. All these troubles may be described as the growing pains of native peoples, struggling to emerge from their former state of complete dependence on their white governors and encouraged by false friends to adopt violent policies. This discontent is an inescapable result of the impact of education on virgin soil, and we must not be surprised if firm and patient cultivation is needed for several generations before the weeds are choked by healthy growths.

RELAXATION OF CONTROLS

At home there has been a progressive relaxation of food rationing and other controls. It is also an undoubted fact that one now sees men and women walking about the streets with cheerful faces, instead of the depressed and harassed expressions to which we had become so accustomed that we hardly noticed them except when returning to this country from a visit overseas. Can it be that there is some connection between these two phenomena: that it makes the housewife happy to have in the shops a wider choice of nice things even if she cannot afford to buy them all? This theory does not accord with certain political propaganda, but it is nevertheless true, in my belief. Even now we have to wait some months longer for the official release of certain agricultural products, and before we put the dark days of food controls behind us, let us remember that we have already been kept waiting

for eight years for a liberation which has long since been achieved by our defeated enemies.

I am conscious that, arising from the relaxation of controls, there has been some loss of confidence amongst farmers in the past year which I hope and believe is not entirely justified. In the recent past, when markets have been controlled and demand unlimited, farmers have been able to rely with some confidence on a profitable outcome of their operations, subject always to the vagaries of nature which no one can control. The outlook in this respect may be more uncertain in the future than it has been in the past, but in spite of the pressure of the urban vote, I cannot myself see the nation ever again neglecting its agriculture. That would be a suicidal thing to do. There are, of course, very great difficulties in marrying freedom in the agricultural markets with guaranteed minimum prices, and it would appear that this problem needs a great deal more thought. Our methods of marketing have in the past been much neglected, and there must be scope to develop new systems to the mutual benefit of the producers, the various middlemen and the consumers.

IMPROVEMENT IN FINANCIAL AND ECONOMIC SPHERE

To turn to the financial and economic sphere, I would note first of all that our reserve of gold and dollars continues to climb slowly towards the still distant goal of sufficiency: sufficiency, that is, to support sterling as a convertible international currency. Leaving aside the special payment of £63 million which was made on the American and Canadian debts at the end of the year, there was an addition to the reserves of the sterling area in every month of 1953; but the total net addition is no more than £240 million, and in the 1951-52 crisis no less than £133 million melted away in one month. Not that a sufficiency of reserves, when achieved, is clearly recognisable. If confidence were complete and permanent, no large reserve would be necessary. When confidence is lacking, no reserve, however large, can do more than put off the evil day of bankruptcy. In the latter half of 1951, our reserves seemed to be irretrievably launched on the downward path, like Gadarene swine rushing in demonic frenzy to their doom. The herdsmen chose this moment to ask their masters for a vote of confidence. They very nearly obtained it, but their masters decided, by a narrow majority, to dismiss them and engage others, remembering no doubt that a lot of good pigs had been lost in the same way before and concluding that they did not know their job. The new herdsmen could at first do nothing to stop the headlong flight. But after a time the rush was checked, and then stopped; the heads of the terrified animals were turned, and inch by inch, grunting and squealing, they began to climb the hill. By now they have gained quite a lot of ground, and although the top is still a long way off, the path is not quite so rough as it was; but if once their heads were turned again.

For this improvement in our external reserves the authorities deserve the greatest credit. The terms of trade have been helpful to this country beyond reasonable expectation, but, on the other hand, the improvement has been achieved apparently without the use of their most potent though drastic weapon, namely, the power to contract by open market operations the cash base on which the whole inverted pyramid of the country's credit structure is poised. Looked at in retrospect, it would seem that the Government's objective has been limited to preventing any further extension of inflation in the economy, and has not included any attempt to reduce the inflation by positive deflationary action. Some disinflation cer-

tainly took place at the start, but this seems to have been caused mainly by the widespread fall in the price of raw materials, which in its turn caused manufacturers and others who hold stocks in trade to adjust their views as to future market prospects. Apart from this, the position has been held more or less in equilibrium by the re-adoption of the old method of controlling credit, in place of the new heresy of perpetual cheap money combined with elastic physical controls: elastic at least in theory. That the change in policy was bearing fruit was signalled by the fact that the Chancellor felt justified in making a moderate reduction in taxation in his 1953 Budget. The Bank Rate, which had been running at 4 per cent since March, 1952, was in September last unexpectedly reduced to 3½ per cent. In olden days this would have implied that the danger of inflation was past, and even perhaps that trade needed a stimulant to help it to defend itself against a slump. While I can hardly subscribe to either of these propositions, it is at least clear that the reduction may be regarded as evidence that the immediate crisis is past, and that it is now possible to take a longer view of the country's needs. If, however, another series of claims for higher wages for the same work should be conceded, we may be thrown back into a state of crisis caused quite simply by the impossibility of selling our manufactured goods abroad at the resultant higher prices.

When thinking of financial problems and estimating the influence of monetary policy, those of us who work in the City of London must always be on our guard lest we think too much of the market for short term money. The country lives on the products of its industry, and all other interests must, if necessary, be subordinated to the maintenance and improvement of our productive capacity. For this purpose the manipulation of money is important only in so far as it provides the means of keeping the atmosphere healthy for the conduct of business. It is not an end in itself. It is even possible to pay too high a price for the maintenance of the purchasing power of the pound in the world's markets.

NEED FOR GOVERNMENT ECONOMY

The efforts of the Government to improve the atmosphere, in which it has received loyal support from all sections of the community, can however all be wasted unless the question of its own expenditure is tackled in a sterner and more businesslike way. It is true that there exist various statutory checks on expenditure; the Select Committee on Estimates, the Comptroller and Auditor General, the Committee of Public Accounts, and of course not least the Treasury itself, have each their important part to play in restraining extravagance. But it is also true to say that, with the exception of the Treasury, they work at too late a stage to exert more than an indirect or moral influence. The problem must be tackled at an earlier stage, when policy is being decided.

An aspect of this question which is fundamentally unsatisfactory is that there is no inescapable pressure on any Government to economise, in the sense that a board of directors or a private individual has to economise. If it is prepared to forget that there will be a day of reckoning, there is in the last resort no limit to the amount of money that a Government can raise internally by taxation, or, failing that, by inflation. And every item of economy which may be proposed involves inconvenience, or perhaps even hardship, to somebody; and that somebody has a vote and may make a fuss: he may write a letter to *The Times*, or he may get his Member to ask a question in Parliament, and the burden of daily administration

is already intolerable without adding to it. "No, for the sake of saving a few thousands (or even a few millions) it really is not worth it." A specious case can be made out for a reprieve in each separate instance, and there are always people with vested interests who will resist any divesting economy. No one likes, for example, to have the number of men under his command reduced. That applies even to bank managers, who have to find the salaries of their staff if not out of their own pockets at any rate out of their branch profits; how much more to Government servants, whose salaries fall like manna from heaven and who never have to sully their thoughts with base considerations of profit and loss.

We find the same tendency prevalent in the expenditure of Local Authorities. Mercifully, they have no power to create money for their own use, as the Central Government has, but there has been an appalling increase in their expenditure in recent years, and the increased assessments with which we are threatened are not likely to reduce the aggregate demand upon the ratepayers as a whole. At the end of the war the Central Government took away several of the duties of the Local Authorities, but they set them new tasks, making them responsible for quite an important part of the administration of the Welfare State. They were given objectives, particularly under the Education Act, which if they are ever reached, will send the rate burden very much higher even than it is today. Moreover, instead of using the restraining hand which might have been expected in our postwar impoverished condition, the Central Government set standards to the Local Authorities in the carrying out of their work that would never have been dreamed of in prewar days, and which the Local Authorities would probably not have aimed at themselves if their prewar measure of discretion had been left to them. The limiting factor has been not merely the money, but perhaps still more the labour and materials which could be made available. If the standards had not been set so high, a given amount of money spent, for example, on new schools, could have been made to provide more school places, and thus have enabled Local Education Authorities, who have inevitably fallen far short of their statutory obligations in this respect, to make better use of their resources. I believe it is a fact that there has recently been some disposition to permit slightly less elaborate standards of building, and this is a step, if a small one, in the right direction. The fact remains that, with Government encouragement and with the incentive of considerable treasury grants, there has been a tendency for the members of Local Authorities, even though they would exercise proper economy in their own personal or business affairs, to shrug their shoulders and accept a situation of which they cannot really approve but which it is beyond their power to alter.

STATISTICAL FACTS

Let us descend from generalities to the realms of statistical fact, and let us measure the extent of the increase in taxation since before the war. The growth in the burden was clearly set out in a letter, published in *The Times* on July 22, 1953, from Mr Douglas Jay, well known as a writer on economic subjects:

Total Government Revenue as a percentage of current gross National Product		
	1938	1951
United Kingdom	17	32
United States	18	26
Canada	20	24
Sweden and Norway	18	27
Holland	18	28

The United Kingdom, which in 1938 was

at the bottom of the list with 17 per cent, now heads it with 32 per cent, nearly double its own prewar figure and six points higher than the average percentage for the other countries. Mr Jay thinks that "there is not very much in it"; but the monetary value of 6 per cent of the 1952 national income is £820 million, and to me it is a horrifying thought that nearly one-third of the whole national product now falls into the maw of Government. £820 million represents just under half the revenue raised from income tax in 1952-53, or more than six times the yield from surtax, or more than three and a half times the full cost of the reliefs given on income and profits taxes in the last Budget. These figures are so astronomical that perhaps they are not very easy to comprehend. Measured in more mundane terms, and in round figures, an annual expenditure of £820 million would buy a pint of beer a day for every adult man and woman in the country, or alternatively five cigarettes a day with the children included; three-quarters of it would buy a large loaf of bread a day for every man, woman and child.

COUNTRY'S SAFETY OF PRIME IMPORTANCE

We may perhaps be inclined to excuse ourselves by pleading that, when we undertook somewhat hastily the vast new liabilities of the Welfare State after the war, we did not know that we should so soon be faced with heavy additional expenditure for military preparedness. But the safety of our country comes first, and our costly amenities, even welfare and education, must if necessary be curtailed. Let no one dare to say that, if we cannot afford both welfare and safety, then safety must go. Necessary defence expenditure, which properly includes our responsibilities in the Empire, to which I referred earlier, is in fact the most important element in social security, for without national security, social security would be a farce and a fraud. We must not, therefore, found our prospects of reduced taxation on our hopes of reduced international tension; nor when there is any relief from this source must it be used for financing further instalments of state benevolence. It will be needed to be held in reserve as additional taxable capacity in case we become involved in another major war. Difficult though it may be, it is the civil expenditure of the Government, including the Local Authorities, which must be ruthlessly curtailed. If there is to be any further increase in social services, it can only come out of increased production.

TAXATION AND THE MIDDLE CLASSES

There is hardly any limit to the evils which flow from excessive taxation, and if I pick out one for special emphasis it is because I feel that, despite his lip-service, it does not sufficiently interest the party politician. I refer to the plight of the men and women who provide the brains, the enterprise, the leadership, without which the manual workers, however skilled, would be as helpless as sheep without a shepherd. I am thinking first and foremost of those who occupy the executive and managerial posts in industry and commerce, but many others must be included, notably members of the professions, against whom the dice are specially loaded because they cannot possibly make adequate provision out of income for their dependants and for their own old age. There is also the man who, from small beginnings, has by his own skill, industry and thrift, built up a prosperous independent business of his own. Countless businesses of that kind flourish throughout the country today, though their names may be unknown outside their immediate circles. But it is increasingly difficult for new ones to come forward to fill the gaps, because present-day

taxation prevents the accumulation of capital by thrifty husbandry within the span of human working life. Today the only way in which a man who has built up a business can put aside any capital is by selling it, which is exactly what he ought not to do, in the country's interests, as long as he is capable of running it efficiently. This state of affairs also gives openings to an even more undesirable type of transaction, where a mere financier can seek out a business which has been prudently managed, dress it up so that it appears to be more prosperous, and then resell it, walking off with a handsome profit. This is the apotheosis of the spiv, and the damnation of honest businessmen.

BACKBONE OF THE NATION

Membership of the section of the community to which I have referred, who might be described as the middle classes, is not merely a question of breeding and environment, important though those factors are, for better or worse. There is a constant flow from one class of income group to another, and not all of it in the same direction. More especially is this true today when there are so many openings for the intelligent boy to move from primary to grammar school and from grammar school to University. When a man has lifted himself out of the rut, and has made his mark in the world, is he not entitled to enjoy the fruit of his labours? Fortunately for the country's welfare, the mere earning and spending of more money is not everything to him: almost certainly the satisfaction of a good job well done is his first consideration. But he would not be human if he did not ask for some tangible benefit for himself and his family. No self-respecting man likes to think that his wife is obliged to work outside the home to help to keep the home together. Everyone wants his children to have a better start in life than he had himself. Some would define this in terms of education at a public school; but who today can pay the fees of more than one child out of taxed income? Some would define it in terms of foreign travel, an experience particularly valuable to us Englishmen, who are possibly inclined to be a little insular in our outlook; but many parents today find it hard even to pay their children's expenses in the valuable holiday visits organised by the schools. These people are the backbone of the nation and, furthermore, with the passing of the great houses of England, they provide the only channel through which the arts of civilisation can be handed down to future generations. They do not ask for subsidies on their bread and butter, and they would scorn to live in utility cotton wool provided by the Welfare State; they want to be allowed to pay their own way out of what they earn.

From their point of view, which is the greater curse, direct or indirect taxation? Which is worse, to take so much of a man's salary as to leave him with barely enough for his daily needs, or to deduct a much smaller proportion and then say to him: When you spend money on non-essentials, you will have to pay some more taxes to the Government? The question has only to be asked in this form to provide its own answer. It is immaterial whether he buys cigarettes and pays customs duty, or buys petrol and pays petrol duty, or buys one of a host of other inessentials and pays purchase tax; they are all taxes on expenditure, and can be avoided in so far as he is willing to deny himself the pleasures that they represent. He may prefer to spend the extra money on school fees or on a holiday abroad on which there is no tax. He might even decide not to spend it at all, but to put it aside for a rainy day. And there we touch another of the great evils of overtaxation, namely its effect on savings. It is probably true to say

that the net aggregate saving of the salaried and professional workers as a whole today is a minus quantity (even when their life policy premiums are included), if regard is had to the endless stream of realisation of past savings to meet the expenses of illness, education and the like, together with the constant drain of death duties. Taking the economy as a whole, all of these have to be covered by new savings before it can be said that the net balance is a credit one.

FAIR SHARES

If it were decided to make taxation less intolerable for the middle classes, the best

means of giving effect to this decision would undoubtedly be through the earned income allowance, a concession which the Chancellor has already expressed a desire to make. Not only might the proportion be made more favourable, but even more important, the upper limit of this allowance should be removed, so that full benefits are no longer denied to those who most deserve them from the point of view of the services which they render to their employers and through them to the nation.

Some might perhaps feel that this offends against the modern doctrine of fair shares, which seems to have been quietly substituted for the older creed of equal shares. A

doctrine of equal shares is of course sheer nonsense, as the Russians discovered long ago. As far as fair shares are concerned, surely it is fair that he whose work is more valuable to the community should have the higher reward, and surely any other result is unfair.

Our present Government has no need, I think, to suffer from any inhibitions of this kind. It is true that until Government expenditure has been more seriously taken in hand the prospects of major reductions in taxation do not look very favourable; but when you have some money to spare, Mr Chancellor, please give a thought to the middle classes.

WILLIAMS DEACON'S BANK, LIMITED

SPECTRE OF INCREASED COMPETITION ASSUMING CONCRETE FORM

GREATER EXPORTS TO NORTH AMERICA A PLEASING FEATURE

TAXATION SYSTEM PROVIDING INSUFFICIENT INCENTIVE

SIR ERIC CARPENTER REVIEWS THE ECONOMIC SITUATION

The annual general meeting of Williams Deacon's Bank, Limited, will be held in Manchester on Thursday, February 11, 1954. The following are extracts from the statement by the chairman, Sir Eric A. Carpenter, OBE, on the report and accounts for the year ended December 31, 1953:

The proceedings at the annual general meeting will be restricted to the transaction of formal business and I propose to continue the practice of recent years in issuing a brief statement on the bank's affairs in advance of the meeting.

At the end of June Mr J. M. Thomson resigned his directorship and the good wishes of all his colleagues go with him in his retirement. We have elected to the board Sir Edwin Herbert, Mr Rudolf de Trafford, OBE, and Mr W. R. Ballantyne, and to all these gentlemen I offer in your name a cordial welcome.

I now turn to the accounts, from which you will see that deposits stand at £142,727,887, an increase of £2,113,966 on last year's record figure.

On the assets side, the liquid items, namely cash, money at call and discounts, amount in total to £47,894,550 or 33 per cent of our deposits.

British Government Securities have again increased slightly. The course of gilt-edged prices has been much steadier than last year and in general there has been a gradual rise in which, of course, the short dated securities, which form so large a proportion of the investments of clearing banks, have participated. We have again, as always, valued our British Government Securities at market price or less.

Advances at £37,824,129 show an increase of £1,277,325.

Our net profit, after making the usual provisions (which include contributions to staff pension and widows' and orphans' funds and appropriations to contingencies account) is £291,531, an increase of £24,332 on the year. With the balance brought forward of £156,789 this gives a total of £448,320 to be dealt with. After transferring £125,000 to reserve fund we propose to pay dividends of 7½ per cent on the "A" shares and 6½ per cent on the "B" shares and to carry forward £181,523. I feel sure you will agree that these results are very satisfactory.

The rate of dividend on the "B" shares is the maximum applicable to those shares but the rate on the "A" shares has remained unchanged for 24 years and in view of the great changes which have taken place since then we feel that a modest increase in the dividend is fully justified.

During the year new branches have been opened at Mossley and Great Ormond Street, London, and preparations are now in hand to open a branch at Bournemouth during 1954.

The year 1953 has been a memorable one in many ways. The Coronation during the summer and the celebrations which accompanied it were a signal for spontaneous rejoicings throughout the whole of the Queen's domains and the solemnity of the occasion was brought home vividly to multitudes of her subjects by the use of television. The announcement on Coronation morning that a British Commonwealth team had climbed Everest was widely taken as an augury presaging, we all trust, a second glorious Elizabethan age.

In the outside world, the fighting in Korea has died away, the troubles in Malaya have diminished but have been replaced by new troubles in Kenya, and it would appear that only prompt action has forestalled a similar grave possibility in British Guiana. It is to be regretted that the enlightened and disinterested steps taken by the British Government with the object of affording our colonial fellow subjects a greater say in their own affairs should be seized upon by some elements as an opportunity to cause confusion and unrest.

ECONOMIC MATTERS

As far as economic matters are concerned, I think it would be right to say that 1953 has been a distinctly reassuring year. There has been a steady, if not particularly impressive, rise in the gold and dollar reserves, the balance of payments is improving, the terms of trade have continued to go in our favour, the cost of imports has fallen a little but exports have produced the same amount. On the other hand, however, the spectre of increased competition from Germany, Japan and other countries is now assuming a concrete form. I should like to deal in detail with some of these broad tendencies.

The improvement in the gold and dollar reserves which set in towards the end of last year, following upon restrictions on imports here and in other parts of the sterling area, has continued and there has been a modest surplus each month until December when the annual payment due on the United States and Canadian loans caused a deficit. Over the year the surplus has been £240 million, but this includes £110 million of American aid so the margin is still a very narrow one, particularly when it is remembered that it is the surplus of the whole sterling area. It must also not be forgotten that in the last three months of 1951 no less than £333 million was lost and the total reserves even now amount only to £899 million.

At the same time, we have been able, during the year, to relax some of our restrictions on travel and on imports which particularly affect countries in Continental Europe, and Australia has relaxed many of her restrictions on imports which has been of particular interest to the textile industries here.

Our general position is, therefore, so much improved that in many quarters sterling is now a scarce currency, as is evidenced by the recent purchases of it by Brazil, Japan and Turkey from the International Monetary Fund.

Nevertheless, I repeat, the increase in reserves provides no grounds for complacency: three factors must be borne in mind. In the first place, although the most gratifying aspect of the improvement in our own dollar position is that it has been achieved, in part, by an increase in dollar exports whilst dollar imports have been kept at practically the same figure, it must be remembered that this position could be rapidly reversed if an American recession of any importance came about, thus causing a reduction in American imports. Secondly, it should not be forgotten that we have benefited largely by a big improvement in the terms of trade, of which I shall have more to say later. In the third place, we must not overlook the figure of the sterling balances. Whilst the total owing to non-sterling countries has been very satisfactorily reduced since the war and the amount due to the Dominions is perhaps no more than they need for exchange purposes, the total due to the colonies has risen each year and was at

June £1,133 million, or some two-and-a-half times what it was in 1945. Moreover, it is the colonial territories who have such a useful surplus of dollar earnings.

BALANCE OF PAYMENTS

To turn now to the broader question of the balance of payments, the provisional figures for the first half of 1953 make satisfactory reading—following as they do two previous half years in which there was also a surplus. Although the estimated surplus is lower at £81 million than the two previous half years and is, indeed, little enough, it includes a slightly smaller element of American aid at £55 million.

A most welcome feature is the higher level of exports to North America which nearly enabled us to have a surplus on current account with the dollar area exclusive of American aid. In every year since the war we have had a heavy deficit with the dollar area, except in 1950 and 1953.

The overall net surplus of £26 million is, however, a very small part of the total of trade and other payments during the half year of £1,861 million and is less proportionately than the surplus of £148 million out of £3,919 million in the whole of 1952. It is also less than we need and has been earned under favourable conditions which may not always persist, since the terms of trade have moved very much in our favour and there has been a very high level of activity in America. It has, however, come about in part because we have set our house in order, as also have the other countries in the sterling area following our example; indeed, they earned a net surplus with the non-sterling world and so helped to augment the reserves.

AMERICAN ECONOMIC SCENE

Because the surplus earned is not large enough and events in North America have so important a bearing on what happens in the rest of the world, anxious eyes have, of late, been turned towards the American economic scene. The question is being asked, can the high level of activity be kept up now that the Korean war has ended and Federal expenditure is being reduced? There has been a slight drop in activity in the last six months. If it continues to fall, a point could soon be reached at which a more rapid decline would be set in motion by cumulative factors. Fortunately such estimates as reach us indicate that whilst consumer credit may be high and orders in some industries have declined, building is expected to keep up, as will public works, but the doubtful quantity is expenditure on personal consumption.

day, follows, therefore, that economic 38.8. opments in the United States in the still few months of the present year will be depreciated with the keenest attention through- Government trading world. As far as the sterling 30 all the concerned, the United States market 30 the utmost importance for such com- 30 nities as wool, tin, rubber and cocoa, as 30 all, I may add, as for manufactured goods 30 rom this country.

The factor which has helped most to alter our external position for the better has been the improvement in the terms of trade, or the ratio of import prices to export prices. During the year the prices of the things we import have continued to fall, in the case of raw materials quite steeply, whereas the prices of the things we export have remained fairly stable, any fall being quite a small one. The result is that at the end of the year a given quantity of exports would buy 10 per cent more imports than in 1952. This steady improvement in the terms of trade has been going on now for over two years. It may go on even longer but it is well that we should realise that the good

showing of the balance of payments figures is due more to the terms of trade than to any other cause.

Many further steps towards the elimination of controls have been taken during the year. Zinc was decontrolled from the beginning of the year, softwood in November, the copper market was reopened in August and sulphur, sulphuric acid and magnesium have been freed from the end of the year. Cotton, now partially freed, will be completely in private hands by the end of next summer. In the domestic sphere, the abolition of egg rationing in March and of sugar rationing in September have been warmly welcomed and we are now looking forward to the complete abolition of all food rationing this year.

The figures of imports and exports appear, as I have indicated, to give cause for reasonable satisfaction when they are compared with those of the previous year. The total cost of imports has been some 4 per cent less than last year though their volume has been some 10 per cent greater whereas exports have produced the same amount though the volume of them has been slightly higher. Moreover, the trend has been distinctly favourable. Imports in 1952 were falling gradually as the year went on. In 1953, in spite of relaxations, their cost has been fairly steady, month by month, with the volume rising. The tendency was for exports to decline in 1952 as the months went by, whereas the reverse has been seen in 1953, which ended with some very satisfactory figures and a falling trade gap.

One very pleasing feature is the increase in exports to North America, particularly to Canada. North America is a difficult and exacting market and although it takes only an eighth of our exports no market is more important to us. Exporters who try to enter the dollar market deserve every encouragement and I hope that they will make full use of the many Government services which are available to help them and about which there has been some publicity lately. The banks, too, are always ready to play their part.

LOOKING TO THE FUTURE

It is, however, in looking to the future that the prospect is not as bright as appears on the surface. It is true that Australia is expected to remove all restrictions on imports in the New Year, and this will be especially welcome to the textile industries, but South Africa is to cease discrimination in our favour, which means that unless British exports are competitive in price, quality and delivery, dollars accruing to this country from the proceeds of South African gold may well be much less. Competition is becoming keener, particularly from Germany and Japan and the latter is again pressing for concessions in colonial markets. Perhaps the most important point is that the past year's good showing arises from orders received some time ago but orders are now harder to get. It was particularly regrettable to notice recently that a large contract for locomotives for India was lost, not on delivery dates or on credit terms but on price alone. A contract of this nature is inevitably followed by orders for spares, on which there is usually a higher rate of profit than on the original contract.

DISTURBING FACTORS

Even when we look at the details of the past year's figures there are one or two disturbing factors. Far too much of the increase in imports has been in food, drink, and tobacco, in other words in consumer goods, and too little in raw materials for our industries. We have made great strides since the war in exports of machinery, motor vehicles

and chemicals and it is therefore disappointing to see a fall in these during the year. Textiles and clothing have gone abroad in greater volume but produced roughly the same amount and this is made up of rather less cotton goods and rather more wool and rayon.

Productivity, as shown by the index of industrial production, has increased by nearly 5 per cent on last year, and towards the end of the year had exceeded the postwar peak in 1951. This most satisfactory result of the year's work was accomplished, it is true, by a slightly larger labour force and is, of course, in part the fruits of improved methods and of the installation of much machinery since the war.

This increase in productivity is most satisfactory from the general point of view in that it is only thus that the high standard of living of our people can be maintained.

It is when increases in earnings are not reflected in commensurate increases in production that there is need to pause and consider the effect, first on prices and then on the struggle for exports now getting so much keener. This aspect is of major importance today in viewing claims for increased wages generally whatever the merits of individual cases may be. All the reports of the teams who went to the United States testify to the overriding urge throughout industry there to improve and cheapen production so that the share of all parties may be the bigger. We would do well to ponder this.

ERA OF INTENSE COMPETITION

I have said enough, I think, to show that, in my opinion, we are entering an era of intense competition. The resurgence of Germany, Japan and other countries as exporters—taken in conjunction with the rigidity of our economic structure here, clogged and hampered as it is by excessive taxation—pose grave questions for us all. The Budget last April brought a small but welcome reduction of taxation but I should, I think, be failing in my duty if I did not voice the opinion that such reduction will not prove enough to enable this country to face up to the struggle in the export markets which is certainly coming. To us in this country this is, of course, a matter of life and death, and a taxation system which provides insufficient incentive at so many cardinal points is a poor ally for that struggle. I trust that the Chancellor next April will bear these considerations in mind.

That does not mean to say that we are not grateful for the reduction of income tax, the repeal of the excess profits levy from January 1, 1954, and the restoration of the initial allowances on industrial buildings, plant and machinery, and shipping. But, of course, the question of adequate depreciation should be thoroughly investigated, particularly in those heavy industries which require the expenditure of large sums on capital re-equipment. It is quite absurd in a community which must trade to live to have a state of affairs where, quite literally, year by year the tax-gatherer takes a portion of capital. For example, the problem of replacement of tonnage bedevils, under present conditions, the whole policy of the shipowning industry, and if there is an industry more vital to us than that I do not know it.

LESSENING OF ACTIVITY

As the year went on and both here and abroad, in Germany, Holland and Belgium and to some extent in the United States, a slight lessening of activity became apparent, there was a swing away from dear money and Bank Rates were reduced in most countries. Here, a reduction of one-half per cent was made in September, though to a large extent for technical money market reasons,

with the object of making rates more realistic. Although the reduction was treated in some quarters as a signal that all was well with the economy, it was soon made clear by official pronouncements that the object was greater flexibility and more effective control in either direction as the need arose and that no one could foresee in which way the influence of monetary policy would be required in the coming months.

With the disappearance of the sellers' market everywhere, the giving of long credit as a competitive factor has now assumed very considerable importance, in addition, of course, to the other factors of price and delivery. This is only natural in the case of large and expensive installations of a capital nature and following upon reports that Germany in particular was granting very long credit, efforts have been made here to form specialised institutions to give help in the same way to an extent that individual manufacturers could not undertake. This has been applied particularly to ships and aircraft and more recently to the export of capital goods in the engineering and electrical goods industries. In all these cases the Export Credits Guarantee Department has given invaluable help, but it may be that in some quarters there is a mistaken idea that the banks have not done as much as they might. I am sure that if all the facts were known it would be fully appreciated that the banks have played and are still willing to play a very full part right up to the limits which prudence and long experience have shown to be most necessary, and I notice that at the end of the year the German banks found it necessary to issue a warning, indeed a protest, on this subject to their own Government.

COTTON INDUSTRY

The cotton industry has had a year of steadily improving conditions and has shaken off the evil effects of the recession in the previous year. Buyers have been more ready to give orders, some labour has come back to the mills and at the end of the year lengthening delivery dates, particularly in the finishing section of the trade, were the order of the day. Production has gone up appreciably in all sections, though the high rate of output achieved towards the end of 1951 has not been reached, and a great many looms are idle for want of operatives.

Prices of the raw material have been remarkably steady and exports both of yarn and cloth have been higher than in 1952, helped in part by the relaxation of import restrictions in Australia. It remains a fact, however, that though the industry is much sounder financially than it was before the war, we are now exporting only half the quantity of cotton yarn and piece goods that we were in 1938, and competition from Japan and India becomes more severe as time goes on. Owing to the fact that some 75 per cent of the output of the industry is now used at home there is a danger that it will become a net user of foreign currency instead of one of our principal sources of strength in earning exchange through exports. Rayon exports, it is true, have greatly increased, but only by a fraction of the fall in cotton goods.

Much thought is being given to the reorganisation of the Liverpool Cotton Market and to the steps which will have to be taken when the Raw Cotton Commission comes to an end in 1954. This will undoubtedly involve individual mills and merchants in the necessity of holding larger stocks, a matter of no small moment at today's prices, if the mills are to have a steady flow of cotton of the right quality. In this connection we expect, inevitably, to be called upon to help with the finance of our customers' requirements so that they may obtain the raw cotton they require.

The coal position is satisfactory for the

moment, thanks largely to the mild autumn weather, and stocks are as good as a year ago. Production, however, instead of being 2 million tons more than last year, was a million and a quarter tons less, due to a fall in manpower, the second week's holiday and some fall in opencast output. In view of increased mechanisation and the fact that manpower at the face has not fallen, the result is disappointing, as it would be only reasonable to expect an increase, and in the meantime consumers have to pay more for their coal.

There has been a satisfactory increase in coal exports, though price competition is now a serious factor.

Coal is the principal raw material used in the generation of electricity and in the production of gas, both of which increased during the year. At some time in the future it is hoped that most of the electricity produced will come from atomic power stations and a start has already been made experimentally. Hitherto, little or no attempt has been made to obtain natural gas from deep borings, from which source most of the gas consumed in the United States and Canada is obtained. The announcement, therefore, that the Gas Council are to make extensive searches for natural gas is of considerable interest.

IRON AND STEEL

Iron and steel continue literally to forge ahead to ever higher production records. The target of 17,500,000 tons of steel has been exceeded, in other words, over a million tons more has been produced during the year. The output of pig iron, too, has again passed all previous records by about half a million tons and the supply of home produced iron ore has kept up. This is the first full year in which the industry has had the benefit of all the new blast furnaces, coke ovens and other plant, which have been installed since the war, and good use has been made of them.

As a result of the greater production it was possible to dispense with steel rationing in May and in looking to the future such difficulties as are likely to arise come, not from the production side, but from the selling angle. Iron and steel are the raw materials of the engineering and other industries which have begun to feel the effects of competition and light iron foundries in particular have been finding things difficult, particularly in goods for export.

A start has been made in the denationalisation of the steel industry and the first company, United Steel, was successfully sold back to the general public in November. It is, however, fairly obvious that the whole operation is going to take some time.

At the end of the year, reports of increasing activity continued to reach us from all the areas served by the bank and this was particularly so from those districts concerned with the steel and textile industries. This was, not unnaturally, reflected in the bank's own activities which have expanded satisfactorily.

Our trustee department has had a busy year, both at the head office and at the branches in London, Sheffield and Preston, as more and more of our customers are taking advantage of its services. We intend, in due course, to open a trustee branch in Bournemouth.

In conclusion, I should like to take the opportunity of expressing, on behalf of all my colleagues and myself, to Mr King, the general manager, the assistant general managers and to all members of the bank's staff in whatever position they may be serving, our best thanks for their devoted efforts throughout the year and our appreciation of their keenness and enthusiasm.

APEX (TRINIDAD) OILFIELDS

The thirty-fourth annual general meeting of Apex (Trinidad) Oilfields, Limited, was held on January 20th in London.

Mr Malcolm MacLachlan (chairman and joint managing director) said that the production for the year amounted to 2,986,000 barrels of crude oil and 4,058,000 gallons of casing head gasoline.

During the year 77,760 feet had been drilled in continuance of the programme to obtain production and to extend the tested areas of the property. Five wells were completed in the Main Field and six in the South Quarry area.

In the main Synclinal zone three wells were completed, one small and two satisfactory producers. The deep well which was being drilled last year in the eastern part of the Syncline, with the objective of testing whether the Herrera sands of the Penal oligocene structure extend under the company's field, was finally sunk to a depth of 14,889 feet, some 800 feet deeper than the previous record for the Island.

A further deep well was programmed to commence in the current year in the central section of the Syncline in addition to the deep well in the South Quarry area which was originally planned for last year.

The estimate given to members in 1944 of the total ultimate oil production from the then proven areas was proving conservative, and in addition the company had a welcome contribution from the developments in the Synclinal zone. The Trinidad management now estimated that, despite the production in the meantime of over twenty-seven million barrels, the further recoverable production should exceed the amount which was estimated to be available in 1944.

The report and accounts were adopted.

RAPHAEL TUCK & SONS, LIMITED

IMPROVED GENERAL TRADING

The fifty-second annual general meeting of Raphael Tuck & Sons, Limited, was held on January 21st in London, Mr Desmond Tuck, chairman and managing director, presiding.

The following is an extract from his circulated statement:

That we are late in presenting the report and accounts is due to the fact that I felt stockholders were entitled to up-to-date information as to the current trading position. To give this we have waited for the figures of the first six months of the present year. I am glad to state that these indicate a distinct improvement and that taking these into consideration with our prospects for the ensuing six months the board has declared an interim dividend of 2½ per cent for the year ending April 30, 1954, on the Ordinary Stock.

It has been quite a revelation to those who have visited our works to see for themselves what is involved in the production of Greeting Cards, Children's Books, Postcards, Calendars, Table Paperware, Viscose and Metal Foil Wrappings, and general colour printing, the work of which is carried out in freehold premises which are the property of the company and of its stockholders.

With these resources at our command and with such further up-to-date mechanised methods of production we hope to be able to instal, I cannot but look forward to the future with confidence.

The report and accounts were adopted.

MIDLAND BANK LIMITED

ORGANISATION'S WIDESPREAD RAMIFICATIONS

URGENT DEMAND FOR EXPORT EXPANSION

HEALTHY NATIONAL ECONOMY REQUIRES FLEXIBILITY IN MONETARY SYSTEM

LORD HARLECH ON EVENTS OF PAST YEAR

The one hundred and eighteenth annual general meeting of Midland Bank Limited, will be held on February 16th at the head office, Poultry, London, E.C.

The following are extracts from the statement by the chairman, the Rt Hon Lord Harlech, KG, PC, GCMG, on the report of directors and balance sheet for the year to December 31, 1953:

The annual report of directors and balance sheet appears this year in a new format. It contains, as is now usual, some additional material which it is hoped will interest shareholders and other readers.

Comparison of our latest balance sheet with that for December, 1952, shows much the same features, on a somewhat larger scale, as those to which I called attention a year ago. The total of deposits is £75 million higher—a rise of 5½ per cent as compared with 1½ in 1952. The expansion of purchasing power in the hands of the public, recorded by the collective returns of the clearing banks and by the official estimates of currency in circulation, has reflected a further growth of the national income and of the turnover of business as a whole. The authorities have continued to rely upon the exercise of restraint in non-governmental borrowing from the banks, and the enlargement of deposits has been accompanied by an increase in the banks' holdings of Government debt. As the policy of the Bank of England has been to provide an ample cash basis for this expansion, the banks themselves have become still more liquid, notwithstanding the Government's debt funding operations during the year.

In our own bank, as will be seen from the balance sheet, the holding of Treasury bills has gone up by £41 million, and of investments by £39 million, while advances to customers—representing non-governmental borrowing—have declined by £20 million. Our "liquidity ratio," that is the percentage of deposits which is covered by cash, short loans to the money market and bills maturing day by day, has risen by about 2 per cent to 38.8. At the same time we have strengthened still further the safeguards against capital depreciation of our investments in British Government securities. To-day more than half the total have final maturity dates within the next five years, and nine-tenths within 10 years.

The further decline in advances calls for explanation. In part it results from an accidental factor—the irregular rise and fall of short-term borrowings by the nationalised gas and electricity undertakings to finance their capital expenditure in anticipation of periodical issues of stock to the public. In part, too, it reflects the official policy of restraint in the provision of finance for personal and professional purposes. Even so, the fact is that accommodation to industry and trade has on balance diminished over the year—and this at a time when the Government has been reducing controls and turning back into private hands the trade in a number of commodities.

This is a process which might have been presumed to necessitate heavier borrowing from the banks for carrying on production

and distribution. On the other hand, the demand for finance has been eased by the continued downward movement in prices of most basic materials. Further, as the postwar phase of irregularity of supplies of raw materials and components has come to an end there has been less anxiety in industry to accumulate and carry stocks. Another factor contributing to the increased financial liquidity of business as a whole has been the considerable volume of new capital issues and other arrangements for augmenting the permanent resources of many undertakings. Doubtless any change towards an upward trend of primary prices would lead to a review of business policy in respect of stocks, which might well be reflected in a renewed demand for advances. Against that possibility there is at present an ample margin for future expansion of advances in response to needs that fall within the range of official policy.

REASONS FOR DIVIDEND DECISION

It will have been noted that the net profit of the bank for the year just ended is about the same, after allowing for the change in the standard rate of income-tax, as for the previous year. The full effect of the lowering of the Bank Rate, with associated changes, was not felt until near the end of the year, as bills already held in our portfolio ran off and had to be replaced at lower yields. Now, however, the downward movement is exerting heavier pressure on our earning power. The volume of work continues to grow, and the upward trend of banking costs has not yet come to an end. Further, the risks attendant upon the lending side of our activities must be expected to increase as business is carried on more and more in the circumstances of a free economy enjoying less of the protection afforded as one effect of Government controls and intervention.

In recommending an unchanged rate of dividend for the past year your directors have had in view all these and other factors. They are of one mind in believing that our first concern, now as always, must be the security and strength of the bank's financial position in the interests of all concerned, more particularly our depositors. Hence the substantial appropriations that are again being made to inner reserves. They recall that our own rate of dividend has for many years been higher than those paid by most other banks. They would remind shareholders, too, of the heavy burden of profits tax where profits are distributed as dividends. In our own case the dividend at the rate of 16 per cent works out at £2,425,000; but owing to the methods by which income tax and profits tax liabilities are calculated the dividend and the taxes related to it actually absorb £3,464,000.

During the past year we have again had opportunities of watching the progress of our two affiliated banks, the Belfast Banking Company and the Clydesdale and North of Scotland Bank, and I have been impressed by the efficiency and enterprise with which they strive, with success, to maintain their high standing in their respective spheres of activity. Our Executor and Trustee Com-

pany, too, is making further headway in its own specialised branch of business, which is closely ancillary to our regular banking operations. In all three organisations I have been glad to notice, as in our own bank, the outstanding quality of the staff and, in particular, the promise to be found among the younger members that the standard we have set ourselves will be fully upheld. I would like to record with pleasure the establishment of a new Midland-Bank Staff Association.

REQUIREMENTS OF BANKING PERSONNEL

In the light of what has just been said about the risks attendant upon our business, it is clear that, in banking no less than in industry and trade, there never was a time when higher standards of managerial ability and judgment were called for than to-day. Technically, banking is a highly skilled service; but much more is needed than technical knowledge and reliability if the work is to be well done. In banking, the proportion of posts calling for the exercise of personal responsibility is exceptionally, perhaps uniquely, high. Hence one of the major problems of administration is to secure throughout a widely scattered system the influence of the highest quality of managerial capacity at the centre, without frustrating the development of similar capacity throughout the organisation. We believe that the structure of our bank is well adapted to the development of this quality, for it assures to customers the application to their problems of the best judgment and managerial consideration available in the whole organisation, rather than restricting them to the attention of personnel available in the particular branch or region. Many business people and private customers are known, moreover, to appreciate the advantage of consideration of their needs under a system that combines the benefits of close individual understanding of their requirements with the widely experienced judgment that is available at the top levels of managerial responsibility.

INFORMATION SERVICES

Describing the services of the bank as a source of information, the statement continues:

The head office intelligence department provides general economic and financial data to meet requests from an ever-widening range of individuals, public departments, educational and other bodies in this country and abroad. The quarterly *Review*, the mailing list for which is constantly lengthening, has the distinctive quality of being written wholly within the bank.

Another section of the bank's organisation, with similar but rather more specialised functions, lies within the overseas branch at Old Broad Street, which, through its foreign trade information department, has developed since the end of the war its own particular range of services designed to help forward the efforts of industry to expand its activity in international trade. Apart from the routine handling of overseas status inquiries, much of the work in this field is concerned

with providing introductions, to be used by correspondence or on personal visits, for business men desirous of establishing representation in this or that country or making other forms of contact whereby overseas trade in their particular products can be enlarged. This is a two-way traffic, arising on the one hand from the initiative of British exporters and importers and on the other from traders in all parts of the world seeking, through their own banks, business introductions in this country. In the course of dealing with many thousands of these inquiries the department acquires and makes accessible a wide and detailed knowledge of channels of trade in every sort of product, as well as a fund of up-to-date information about regulations of all kinds, throughout the world, affecting British exports.

PROGRESS OF THE NATIONAL ECONOMY

I turn now to a review, which must needs be highly compressed, of the course of affairs in the national economy. During the past year industrial production has recovered the ground lost in 1952, and latterly it has been running well above the high level of 1951. Only in a very few sections is any difficulty experienced in maintaining a continuous inflow of raw materials. Against the encouraging rise in manufacturing output has to be set a further growth of personal consumption, so that it can still be argued that there is need of allocating larger proportions of the national resources to new capital investment, particularly in the improvement of industrial equipment, and—in present circumstances an even more urgent demand—to the expansion of exports.

This last requirement, indeed, is critical. Lower import prices have contributed to the maintenance of a surplus on the current balance of payments, but it is doubtful whether the net result for the year just ended will turn out to be as gratifying as for 1952. It seems that the rise in our gold and dollar reserves, limited as it is, is being achieved at the cost of an enlargement of Britain's short-term sterling liabilities and a change-over to recurrent deficits in trade with Western Europe as settled through the European Payments Union. There is no sign of the early establishment of a sufficient surplus on the balance of payments to finance new investment in British territories overseas and other parts of the world.

The facts being as they are, it is a striking act of faith that the Government has taken a number of steps towards liberalisation of trade, credit and investment. If this act of faith is to be justified by results the need is manifest for exerting all the energy and resourcefulness that can be mustered in support of export trade, and in particular for improving Britain's competitive position in the markets of the world.

In the past year or two we have witnessed a change, in favour of the buyer, in world markets and a rapid revival of the productive and selling power of countries which had until recently been only small participants in world trade. It was perhaps a natural consequence of the struggle for economic recovery that all sorts of special devices should have been brought into use, particularly in European countries, for promoting export trade by, in effect, indirect subsidies. The Federation of British Industries is to be congratulated on its preliminary success in its attempt to remove such unequal inducements, which tend to add uncertainties and instability to the basis of competitive trade. But the possibility of their modification or removal by international agreement should not blind us to the ever-present need of achieving and maintaining the highest standards of quality and adaptability of products, competitive pricing, and the fulfilment of the shortest possible delivery dates. On a national

plane, moreover, we need to make available, through the creation of a healthy surplus of production over consumption, the capital resources to back up the efforts of industry in technically proficient production and in active salesmanship in markets throughout the world.

The restoration of convertibility of the pound sterling stands as a central objective of official policy, though its attainment does not perhaps rank so high in unofficial estimates of near-at-hand achievement as it did a year ago. It seems that any further developments await the emergence of more definite lines of United States Government policy than have yet appeared. It would be a thousand pities if, when American trade and currency policy has become clearer, the then existing international position of this country should be found to hamper the exercise of United Kingdom leadership towards a fuller realisation of the world's capacity for orderly expansion of its manifold resources for the benefit of all nations.

Reverting to our domestic situation, the records of the past year have been characterised by greater steadiness of prices than in previous years. Prices of finished goods, however, have been steady rather by virtue of the further decline in prices of basic materials than of any cost economies within industry itself. Accordingly the apparent equilibrium must be regarded as precarious, and the needs of the balance of payments make it imperative that costs of production and distribution should be freed from any further pressure of internal inflation.

SIGNIFICANCE OF RECENT MONETARY CHANGES

Reference has been made to the immediate effects upon the banking position of the lowering of Bank Rate and the associated changes in other rates which took place last September. In a long-term context it might be argued that this was perhaps the most significant economic event of the year. I say this not because it seems to have been interpreted rather widely as indicating a change in current monetary policy. On the contrary, one of its unusual accompaniments was a clear official warning that there was no intention of making credit more readily available; and indeed there was little or nothing in the economic situation itself to warrant a stimulus to the demand for credit. It was not an "easy money" move, though it did mean, for both public and private borrowing as a whole, cheaper money. Its deeper significance arose from other considerations. One of them was the fact that the change was announced in the time-honoured manner after the weekly meeting of the Court of the Bank of England—a different procedure from that followed on the occasion of the two preceding upward movements. Another was the removal, in effect, of the special rate for Bank of England loans to the money market against Treasury bills, a new device introduced when the Bank Rate was first raised, in November, 1951. The abandonment of this device gave greater flexibility to the market, so that, although the Treasury is still by far the largest borrower, and to that extent "calls the tune," the preference it enjoys from its top credit standing is no longer augmented by special discrimination in its favour. The margin between discount rates for Treasury bills and prime bank bills is now just about the same as before the war. These facts point to the conclusion that, as in industry and trade generally, the policy of the Government is to move towards the rehabilitation of what is often called the "economics of the market place."

I would emphasise the setting of the facts just mentioned in the monetary history of

the past two decades. The period falls naturally into three parts: first, the years from 1931 to 1939 when active official intervention in monetary affairs was being progressively developed after the breakdown of the gold standard; next, the wartime regime, which extended to 1947, of still more active intervention supported by statutory controls; and, finally, the postwar phase of piecemeal relaxation of controls and a tentative approach towards internal monetary flexibility.

In terms of economic priorities, the feature of the prewar period was the preference accorded to domestic monetary policy as against any fixing of exchange rates and of the value of the currency in terms of gold—the overriding condition of an effective gold standard. The objects pursued in domestic monetary policy were, first in time, a diminution of the weight of debt charges on the national Exchequer, and secondly the provision of a stimulus to investment, through a "cheap money" policy, in the interests of business recovery and alleviation of the then intolerable burden of unemployment. To this end open market operations to expand the volume of money went hand in hand with low interest rates. Monetary measures were thus pressed forward to stimulate projects leading to a cumulative business revival and enlargement of the opportunities of employment. On the external side of monetary affairs, the pound sterling was left to find its own level of value in terms of other currencies and of gold, subject to more or less continuous intervention by the Exchange Equalisation Account with a view to smoothing out violent fluctuations and combating speculative movements. The "sterling bloc" came into being in recognition of the continued supremacy of sterling, notwithstanding the departure from its traditional relationship with gold, in the conduct of world trade and finance. The old system of fixity of exchange coupled with internal monetary flexibility had been replaced by flexibility of exchange in response to the outcome of calculated intervention in domestic monetary affairs. Along with this change went a shifting of prime responsibility for monetary management—now much more active and continuous than ever before—from Threadneedle Street to Whitehall.

The outbreak of war brought an immediate reinforcement of intervention by controls. On the side of external monetary relations, a fixed exchange rate with the dollar was re-established, exchange resources were mobilised and reserves concentrated in the Exchange Equalisation Account—the functions of which thus became passive rather than active. Rigid restrictions were imposed upon the use of foreign currencies, and the informal sterling bloc was contracted and transformed into a firm administrative unit which came to be known as the "sterling area" operating a joint "dollar pool." The whole system of maximising our gold and dollar resources and keeping the demands of the bare, controlled minimum was supported by the regulation of imports, exports and domestic consumption.

As to internal monetary arrangements, controls were less firm and all-embracing, yet scarcely less important. All borrowing other than by the British Government itself was made subject to official regulation. New issues of capital were almost entirely suspended during the war years, while bank advances diminished. The raising of new money by local government authorities also was controlled and concentrated upon a single source fed from the main stream of central Government borrowing. In this way there developed the concept of a comprehensive national budget, broadened from its classical notion of ordinary Exchequer receipts and expenditure to encompass emergency expenditure of the central

Government, the provision of cash for its trading operations in food and many other commodities, and all new capital outlays of local authorities. The major factor in determining the volume of money, the growth of which was more restrained than during the first world war, was the rising budgetary requirements of Government. Fiscal policy came to dominate monetary policy. Departmental funds, particularly the accumulating surplus on national insurance schemes and the growing resources of the savings banks, absorbed large quantities of newly issued Government securities while expanding bank deposits at a time of declining bank advances accompanied a marked increase in the volume of Government borrowing from the joint stock banks. "This monetisation of debt" along with the other factors noted, enabled the authorities to keep interest rates at a low level throughout the war.

The cheap money policy was pressed still further after the end of the war. The system of centralised governmental responsibility evolved for purposes of war finance was switched over to the promotion of physical and economic reconstruction, and to the furtherance of expansion designed to ward off the risk of business depression such as had been experienced after the first world war. Hence in the early postwar years the new constitutional arrangements were given permanent statutory form in the Bank of England Act, the Borrowing (Control and Guarantees) Act and the Exchange Control Act.

The events of this period of Government intervention coupled with controls derive their significance largely from the divergence which they marked from older economic theory. The expansive monetary policy, including low interest rates, had been pursued before the war with the object of promoting a fuller use of economic resources at a time when those resources were under-employed. The same procedure was continued throughout a period of sharply contrasted conditions—conditions of continuous strain upon all available resources. The inflationary effects of this policy, maintained in such circumstances, were largely offset for the time being by the rigid imposition of both financial and physical controls. As events turned out, the inflationary effects were to a large extent only deferred or deflected, and even in the subsequent period budgetary and monetary policy have had to be shaped in terms of a continuous resistance to inflationary pressure.

THE APPROACH TO INTERNAL FLEXIBILITY

The story of the past few years has been characterised by a tentative and somewhat halting approach towards greater internal flexibility. I say "internal" because by now the United Kingdom, along with many other countries, had become committed to the principle of fixed exchange rates subject only to marginal day-to-day fluctuations and to the possibility of occasional, controlled adjustments of the gold parity under the rules of the new International Monetary Fund. One such revision of the parity of the pound occurred in the autumn of 1949—striking evidence of the carry-over into the postwar years of inflationary pressure. In principle the United Kingdom was committed to convertibility of the pound sterling. The premature establishment, in effect, of that condition in 1947 was followed by a hasty retreat, and since then only a very gradual advance can be noted. The sterling area system remains, and exchange control is still enforced. But some degree of limited freedom of payments, of movement of funds and of market operations has been found practicable. The fixed dollar parity for the pound is sustained by official control over the supply of and demand for the "hard" currencies.

Domestically, a welcome advance towards elasticity can be noted. Up till 1951 the stress was still on fiscal policy, coupled with physical controls, as the chief instrument for arresting any decline in the purchasing power of the pound sterling; but from that time onward, especially as the physical controls were progressively abandoned, more reliance came to be placed on monetary policy. As regards the quantity of money, it was indicated that the authorities intended to work towards restoration of the system under which the volume of bank deposits was governed by the cash resources made available to the banks by the operations of the Central Bank. This appears to remain an objective, though operations thus far have been conducted without rigidity and the financial needs of Government are still a principal determinant of the volume of money outstanding.

INTEREST RATES

It is in respect of interest rates that the movement towards greater elasticity has become notably more marked. Ever since early in 1947 long-term interest rates had been allowed to take their course, subject to continuing control of non-Governmental borrowing but to no more than an occasional minimum of active official intervention. The first step towards similar elasticity in short-term rates was taken in the autumn of 1951 after 20 years of almost unbroken fixity, and various technical modifications have had the effect of restoring considerable freedom for short-term rates to settle themselves in relation to a bank rate which has recovered some at least of its old-time manoeuvrability.

To sum up, the course of events in the third phase can be described as a partial return towards an open, freely-moving money market. As yet the return is no more than partial, for several limitations remain, including selective regulation of borrowing from the banks, continued restrictions on new capital issues and close scrutiny of operations falling within the scope of exchange control. Even so, within the past year the control of capital issues has been relaxed in favour of investment and unit trusts, while exchange control has been modified to allow greater scope for financing foreign trade and to permit freer market dealings in various European currencies. Apart from the maintenance of controls, intervention is still practised. Thus the impact of Government receipts and expenditures and of the operations of publicly controlled funds upon monetary conditions is still one of the main factors to be taken into account in shaping the design of the Budget, while official influence upon conditions in the short-term money market is exercised from time to time as occasion requires.

The major contrast, however, between the system towards which we have been moving in recent years and that which was developed in the prewar period lies in the current adherence to a fixed exchange parity as against what may be called the regulated elasticity of exchange rates practised in 1932-39. It can hardly be disputed, as a basic dogma, that a healthy, adaptable, expanding national economy requires, as one of its basic conditions, an element of flexibility in its monetary system. If that flexibility is not provided in the relations of its national currency with those of other countries, then it must be provided in its own internal monetary arrangements; the choice may be deferred, but it cannot be indefinitely evaded. Thus interpreted, the steps taken can be described as yet another stage in the long experimental process of working out an effective monetary system for a "mixed" economy—neither wholly "free" nor wholly "planned."

TRINIDAD SUGAR ESTATES LIMITED

The thirty-first annual ordinary general meeting was held on January 21st in London, Mr E. Cassleton Elliott, FSAA (the chairman), presiding.

The following is an extract from his circulated statement:

Trinidad had more normal weather in 1953 compared with the very dry weather in 1952, and as a result the production of sugar increased substantially. The tonnage reaped was a record for the estate.

The profit for the year shows a substantial improvement on the poor results of the previous year, due to the better crop, and accordingly the directors recommend a dividend of 7½ per cent for the year, less income tax, compared with 5 per cent.

As regards the prospects for 1954 crop, subject to weather conditions during the grinding period, I think we should have a good yield from estate canes, and it is hoped that tonnage of farmers' canes will show some improvement.

For 1954 crop the price payable under the Commonwealth Sugar Agreement with the Ministry of Food for that part of the Commonwealth exports being bought at the negotiated price has been fixed at £41 per ton, a reduction of £1 6s. 8d. Any part of our export sugars which are not covered by the negotiated price allocation will have to be sold on the basis of world price plus Imperial Preference, and this is at present well below the negotiated price of £41. The term of the Commonwealth Sugar Agreement has been extended for a further year to 1961.

The report was adopted.

SMITH AND WALTON

(Manufacturers of and Dealers in Paints, Varnishes, Enamels, etc.)

The twenty-third annual general meeting of Smith and Walton, Limited, was held on January 19th at Haltwhistle, Northumberland, Mr Harrison S. Walton, joint managing director, presiding.

The following is an extract from the directors' report:

In their report to shareholders 12 months ago, the directors expressed confidence in the future and in their ability to maintain the company's profits. It is therefore all the more pleasing to be able to report a further record year's trading. The policy of increased representation in this country, coupled with the establishment of further distribution depots in the larger centres of population, has proved itself beyond doubt over the years since the war. The 24-hour service for standard products which is thus made available to customers has undoubtedly been the major factor contributing to the record sales of high-quality materials. The lead which the company gained in the establishment of Emulsion Paints some years ago has been fully maintained by Synflat, sales of which continue to increase. In other fields the directors have been equally active, particularly in connection with surface coatings for the industrial user. A team of industrial representatives has been at work for some time; their returns are satisfactory and leave no doubt that in this new sphere sound progress is assured.

For the future—nothing short of a major national crisis can upset the carefully prepared forward policy of the directors. The results of the current year to date are most encouraging.

The report was adopted.

NATIONAL PROVINCIAL BANK LIMITED

A YEAR OF PROGRESS

ESSENTIALS TO SUCCESS IN COMPETITIVE WORLD MARKETS

PRODUCTION COSTS THE CARDINAL PROBLEM

NEED FOR REDUCTION OF TAXATION

MR D. J. ROBARTS ON STERLING CONVERTIBILITY

The one hundred and twenty-first annual general meeting of National Provincial Bank Limited will be held on February 11th at the head office, 15 Bishopsgate, London, E.C.2.

The following is the statement by the chairman (David John Roberts, Esq.), which has been circulated with the report and accounts for the year ended December 31, 1953:

BOARD OF DIRECTORS.—We have to record with great regret that the Right Hon the Earl of Selborne, PC, CH, has found it necessary, owing to ill-health, to relinquish his office of chairman. Lord Selborne was appointed deputy chairman in 1950 and became chairman in October, 1951. We had hoped that we should enjoy the benefit of his leadership for many years and we offer him our sincere good wishes for a speedy restoration to full health and vigour. It is a consolation to us that he will retain his seat on the board and we look forward to having him with us as soon as his doctors are agreeable. At the invitation of the board I have assumed the office of chairman.

Since our last annual general meeting we have suffered grievous loss in the deaths, within a few days of each other, of two senior members of the board, the Right Hon Lord Aberconway, CBE, LLD, and the Right Hon the Earl of Cromer, PC, GCB, GCIE, GCVO. Lord Aberconway was appointed to the board in 1936 and his knowledge of the shipbuilding, coal, and iron and steel industries was of the greatest value to the bank. Lord Cromer had been a director since 1938 and we shall greatly miss his wise counsel and his insight into international affairs.

Earlier this year we had the pleasure of electing to a seat on the board Mr John Raymond Ropner who is distinguished in the shipping world. More recently the present Lord Aberconway, who has already made his mark as one of the leaders of the younger generation of industrialists, has accepted our invitation to become a director. I am sure that these appointments will meet with your warm approval.

We offer our congratulations to our colleague Mr Donald Anderson on the Knighthood which Her Majesty has been pleased to confer upon him.

We have to record with great regret the death of Mr A. Kingsford Wilson, who had been a member of our Sheffield local board since 1930.

MANAGEMENT AND STAFF

During the year Mr H. F. Willmot, a joint general manager, retired after more than forty-four years of distinguished service in the bank, including six years as a joint general manager. The directors have been pleased to appoint as a joint general manager Mr W. Lynn.

I wish to pay a special tribute, in this my first statement, to the high standard of the services rendered to our customers by the

management and staff. I have had many opportunities of appreciating the loyal co-operation which exists at all levels throughout our great institution and in my opinion this spirit must be counted as a most valuable intangible asset. I am also happy to record a marked improvement in both the numbers and the quality of applicants coming forward to join our service and it would seem that the attraction of banking as a career is becoming more widely appreciated.

THE BANK'S 120TH ANNIVERSARY

Last year we celebrated our 120th anniversary and to mark the occasion we published a short account of our origins and history, under the title of "Bold Adventure." This little booklet was well received by our friends throughout the world, as their many letters of appreciation have shown. It is interesting to record that the initial cost of the "experiment" of founding the Bank 120 years ago was estimated at the modest sum of £300: the statement of accounts, to which I shall shortly turn, affords sufficient commentary on the success of the experiment.

COUTTS AND COMPANY.—The balance sheet of Coutts and Company as at December 31st last accompanies our own report and accounts.

STATEMENT OF ACCOUNTS

The total of our liabilities on current, deposit and other accounts, which at the end of 1952 was £854,562,827, now stands at £869,423,762. The ratio of the more liquid assets, cash, money at call and short notice, and bills, to these deposit liabilities is 39.5 per cent. This compares with 38.8 per cent a year ago.

Investments in securities of, or guaranteed by, the British Government are shown at £247,615,167, giving a ratio to deposits of 28.5 per cent, compared with 28.0 per cent last year. In accordance with our unbroken custom, we continue to show these investments at a figure which understates their market value.

Our advances have again fallen during the year, from £252,102,387 to £244,187,325. Full provision has been made for all accounts carrying any risk of loss to the bank. We have continued to exercise the selective control over advances enjoined upon us by the Chancellor of the Exchequer and this has restricted our opportunities to expand this important side of our business. Moreover, raw material and wholesale prices have fallen from the high levels of recent years and stocks held are lower in volume: in consequence the demand from some industries and trades for bank finance has tended to decline.

PROFIT AND LOSS ACCOUNT

The net profit for the year as shown by this account is £1,765,768 compared with £1,525,013 for 1952. The amount brought forward from 1952 is £686,466 and this,

added to this year's profit of £1,765,768 gives a disposable figure of £2,452,234. An interim dividend of 8½ per cent has been paid and accounted for £443,162.

It is proposed to deal with the balance as follows: To pay a final dividend of 8½ per cent, £443,163; and to make an appropriation to reserve funds of £750,000. Thereafter will remain to be carried forward a balance amounting to £815,909.

A TURN FOR THE BETTER

The past year marks a definite turn for the better in our postwar readjustment. As the months passed, one could sense a gradual change in the mentality of the country. A burden seemed to be lifting; a more tranquil and cheerful tone began to prevail; there was a revival of hope and confidence. In part this was certainly inspired by the Coronation of our gracious Queen, which linked the whole nation together in a common celebration. In part, it reflected the relaxation that has taken place in international tensions. But in part it was due to more mundane causes. Accustomed as we have become to the recurrent exactions of successive Chancellors of the Exchequer, the alleviations in the last budget were a welcome surprise, even though they left us plenty more to hope for in the future. The gradual demobilisation of wartime controls and of rationing, and the better and more varied diet which became available have also helped. A love of freedom and a dislike of restrictions are in our blood and we look forward to the disappearance of the remaining controls. In every country where this policy has been tried it has been successful in providing incentives and stimulating enterprise. So it may be hoped that this year the nation will go forward in better heart to work together in the common task of rebuilding our prosperity by the only means by which it can be done—greater efficiency and higher productivity.

PROGRESS IN THE FINANCIAL FIELD

During the past year definite progress has been made in the financial field. The clearest evidence is the strength of sterling which has become more and more a hard currency. A number of factors have contributed to this, but the revival of the use of Bank rate as an instrument of financial management has certainly played an important part. In the prevailing conditions, it is difficult for Bank rate to be made fully effective. But, even so, the action taken has produced good results in tapering off some of the inflationary financing to which we have become accustomed and in enabling our economy to shed some superfluous fat. It has therefore helped to achieve a precarious balance. But the volume of domestic consumption is still too high and the volume of savings too low: the insurance companies and pension funds are still practically the only sources of personal savings. We have, it is true, achieved a gradual increase in our gold and dollar

reserves during the year; but, during the first six months at any rate, our sterling liabilities increased almost as much as our reserves. We are still indebted to the European Payments Union to the extent of some £200 million and our position there has not improved as much as might have been expected. We are also receiving substantial aid, both direct and indirect, from the USA. We are just paying our way and are very far from earning the surplus of £300-£350 million which we are aiming to secure. There is still much to be done before we can reach a position of financial security and independence and if a chill wind should blow from overseas we might find ourselves again in grave difficulties. We do not want to justify the wisecrack that we have turned the corner so often that we are now back again where we started.

STERLING CONVERTIBILITY

It is more than a year since the Commonwealth Finance Ministers agreed that sterling convertibility should be their common objective and that each part of the Commonwealth should take action to assure a balanced economy. Substantial progress has certainly been made in securing a balance with the dollar area. In the first six months of 1953 the Colonies, as usual, had a large surplus (£58 million) with the dollar area. The rest of the sterling area had a surplus of £21 million (instead of a deficit of £61 million in the first half of 1952); the United Kingdom had a surplus of £34 million. But the United Kingdom had received £55 million on account of US Defence Aid, and further—this is the important point—the sterling liabilities of the United Kingdom increased in this period by £173 million. To that extent we have been obtaining supplies on credit and, although this may be a temporary phase, at present the strength of sterling seems to be due not so much to our efforts as to the efforts made by our partners in the Commonwealth. The sterling area system is a tremendous source of strength to us but we must not become dependent on it, any more than we can afford to become dependent on the generosity of the USA.

One might have expected that the steadiness of the sterling exchange and the improvement in the general position of the sterling area would have enabled the authorities to carry out their declared aim of making sterling convertible—but little has been heard of this subject lately. One of the reasons which have led the authorities to go slow on their objective is apparently the disappointment of hopes that the United States would facilitate action by revising their tariffs so as to encourage imports into the USA. We can certainly urge on them as the world's greatest creditor the desirability of such action, and there has been a growing appreciation in American business circles of the economic arguments in its favour. A simplification of the procedure enforced by the US Customs should surely be practicable, and it may be hoped that the Randall Commission may succeed in inducing a more liberal policy towards imports generally. It will not, however, be easy for any American administration to make a radical change in their economic policy. A delay on the part of the US authorities was therefore to be expected and it must not be regarded as an excuse for inaction on our part. Our own status has changed from creditor to debtor, and if we want the USA to behave as a good creditor we must on our side show ourselves good debtors by eliminating those weaknesses in our economy for which we, and we only, are responsible. If we can root out the inflationary tendencies which still persist in our system and can make our industries and costs of production more fully competitive in open markets, we will be in a stronger position to appeal for more liberal trade

policies, not only in the USA but throughout the world.

PRODUCTION COSTS THE CARDINAL PROBLEM

The cardinal problem is to prevent our costs of production from pricing our exports out of the market. Production in recent months has shown a satisfactory increase but too much of the output has gone into the home trade instead of into exports. We have to face increasing competition from other manufacturing countries which are now claiming their share of world trade and we are tending to lose export orders, even in sterling area countries. It is often alleged that foreign exporters obtain orders because they can offer more favourable credit facilities than UK exporters can do. In some instances this may be true, but I am inclined to doubt whether this is the sole cause of many lost orders. In the case of credit-worthy customers I believe that appropriate credit facilities can and will be made available to exporters by British banks and accepting houses. Certainly this is true of National Provincial Bank. Normally, I am sure, delays in delivery and non-competitive prices are a much greater handicap than the alleged lack of credit facilities. The cost of credit in the Continental countries rules substantially higher than in this country and, if their exporters can quote better terms, it is because their people are prepared to work harder for less wages than we are.

NEED FOR SOUND CURRENCY AND STABLE EXCHANGE

In many of the sterling area countries our exports enjoy the benefit of preferential duties and the system of exchange control also favours sterling imports. Thus, we have a double advantage and we have a most valuable assured market in these countries. But the reverse of the medal is that these advantages make our export industries less careful to keep their costs and prices down. They can for the time being continue to export to the preferential markets despite rising prices, but they will be handicapped in their efforts to export to the open markets. And, even in the preferential markets, we are being increasingly criticised on the ground that we are not quoting reasonably competitive prices. The decision of the South African Government to abolish discrimination against dollar goods in the grant of import licences is a warning. We have been helped by the fall in international commodity prices which has swung the terms of trade in our favour: but this means nothing more or less than that the prices of our exports are rising more, or falling less, than those of the commodities we import. If our competitors cut down the price of their manufactures, and we fail to do so, the terms of trade may still be in our favour but the trade itself will be lost. Above all, our exporters must be able to quote firm prices, without an "escalator" clause allowing prices to be adjusted for increases of costs: and this will be practicable only if they can rely on stability of costs. For this purpose we need a stable system of prices and exchange.

Unfortunately, the measures required for this purpose do not command the unanimous support of all parties. The opponents have not ventured to produce any alternative policy but they appear to be afraid that convertibility will impede the realisation of the social policies connoted by the term "Welfare State." This is surely a short-sighted view. There is no social benefit of greater importance to the country than a sound currency and a stable exchange. Without the solid foundation of a stable currency, prices cannot be kept stable and without stable prices all the plans of the Welfare State will be illusory. And the attainment of stability depends not on what the USA or Europe may do—though

they can undoubtedly help—but on our own economic and industrial policy. If our workers insist on constant increases of money wages, without any equivalent increase of productivity, we cannot hope to keep our currency sound or our price level stable. In that case retail prices and the cost of living are bound to rise but it is no use blaming the Government for the increase of prices—the blame should be laid fairly and squarely on the shoulders of those who have insisted on inflating wages. Each year the statistics show that the price level has risen in close correspondence with the increase of the wage bill and the process is bound to continue until the workers realise that increasing wages all round can bring them no real advantage. It may be noted that in the Continental countries which have seen the full effects of currency inflation all classes are united in their opposition to such policies: and at present Germany, Belgium and Holland are giving the lead towards convertibility which ought to come from London.

RESTORATION OF A FREE EXCHANGE URGED

It is with this background that I stress my firm conviction that sterling must as soon as practicable be made convertible, at any rate for current transactions. So long as exchange control, buttressed by prohibitions or restrictions on imports, is practised you can have no assurance that the currency is sound. The system tends to promote the instability which it pretends to correct. Prohibitions and discriminations against dollar imports would not be needed if our exchange rate were sound and our goods competitive. A free exchange market would provide the acid test of how our economy is operating. It is a very delicate mechanism which registers the real value of a currency, with all the varying checks to which a currency is liable, without manipulation, for all to see. International conditions are at present favourable for the restoration of a free exchange and it may be hoped that the opportunity will not be lost to carry through the internal measures required for that purpose.

Meanwhile, the authorities here have taken such steps as were possible to improve the technical status of sterling as an international currency. The resumption of exchange dealings, within certain limits, has enabled the technique of exchange operations to be revived and brought up to date. The freeing of the commodity markets promises once more to restore London's supremacy in this field, with the trading profits that result. The reopening of free markets enables the holder of sterling to acquire almost any commodity here at the lowest world price. As a result there has been a satisfactory increase in the demand for sterling and a consequent improvement in the rate not only for free sterling but for the various categories of switch and securities sterling. All this is to the good and it may be hoped that we may soon see the abrogation of the remaining restrictions on sterling transferability, which only harm our credit and hamper our export trade. It should be borne in mind, however, that the freeing of the commodity markets entails most of the risks and strains on our exchange, without all of the advantages, that would follow the restoration of full convertibility; and accordingly, whichever course we adopt, it is necessary to set our domestic finances in good order.

REDUCTION OF TAXATION AND GOVERNMENT EXPENDITURE ESSENTIAL

The improvement in sterling has been aided by various measures to restrict the supply of sterling abroad. It would have been better, however, if a similar restriction

could have been enforced on the supply of sterling at home. It is true that, as I mentioned in connection with our accounts, bank credit has been tightened for individual customers and the increase in rates has discouraged some types of business. But the expenditure of the Government and of the industries owned or controlled by the State has continued unchecked and has largely neutralised the restriction of credit in other fields. The position of the public finances has been one of the main factors in the liquidity of the market. The Government has not felt able to raise money from the public on a long-term basis appropriate to

the expenditure that is being incurred and has had to rely on Treasury Bills or relatively short-term bonds. The difficulty facing the authorities is that the present level of taxation makes individual saving practically impossible and they have to raise funds from the money market. Moreover, a similar difficulty faces industry: the excessive taxation levied on the profits of companies makes it impossible for them to provide adequately for the re-equipment and replacement of plant out of their own resources and they have had increasingly to apply to the market for additional capital. Every year since 1945 my predecessors have drawn attention to the

threat to enterprise and initiative inherent in the present level of taxation and now more than ever such qualities are essential if we are to survive in an increasingly competitive world. A reduction of taxation is essential on many counts but there is small prospect of this being possible so long as Government expenditure is maintained at its present level. This, indeed, is the central problem, the solution of which would unravel our other difficulties, and until the Government is able to tackle this problem the optimism engendered by the present favourable trends must be qualified by anxiety as to the longer-term prospects.

DISTRICT BANK LIMITED

EFFORTS TO HELP CONTRIBUTIONS TO NATIONAL PROSPERITY

EXPANSION IN FOREIGN DEPARTMENT BUSINESS

PROGRESS EVIDENCED BY GRADUAL RE-ESTABLISHMENT OF FREER ECONOMY

RESURGENCE OF INITIATIVE AND ENTERPRISE FOLLOWS CONTROL SHEDDING

SIR THOMAS D. BARLOW REVIEWS COTTON AND RAYON TRADE PROBLEMS

The chairman, Sir Thomas D. Barlow, GBE, has circulated, with the report and accounts, the following statement to the shareholders of District Bank Limited, prior to the one hundred and twenty-fourth annual general meeting to be held on February 12th at the head office, Spring Gardens, Manchester:

Before turning to more formal business I wish to congratulate Sir Alan C. Tod on the knighthood that he received in the Coronation Honours as further recognition of his valuable public services. During the past year we have had pleasure in appointing to the board The Right-Honourable The Earl Peel and Mr Alfred Whittle, FCA, both of whom are well known in industrial circles.

There have been changes also among the principal executive officers. Mr D. F. Pollard, who has been a chief general manager since 1949, has retired on pension after forty-five years of loyal and devoted service, and we wish him every happiness in the future. Mr William Mitchell, manager of head office, has been appointed deputy chief general manager, Mr John L. Rife has become a joint general manager, and Mr A. W. Goodall, head office manager.

THE YEAR'S ACCOUNTS

From the balance sheet you will see that deposits, which have been running at a higher level throughout the year, now stand at £251 million and exceed last year's record figure by £3 million. Our liquid assets—cash, money at call and short notice, treasury bills and bills of exchange—at 35.5 per cent of our deposits, still show a high degree of liquidity. Investments are increased by £4 million: practically all our holdings of British Government securities continue to be repayable at fixed dates and appear in the balance sheet below their market value.

Although the figure for advances is larger than it was twelve months ago, the average level of lendings has not varied greatly from that of the previous year, and the higher figure recorded embraces certain advances of a very temporary nature. Our lendings continue to be well spread over the whole range of industry and it is pleasing to report that to a growing extent our funds are being used to further the export trade and to assist

other industries of major importance, including agriculture which has the heavy responsibility of providing so much of the country's food. From this it may be gathered that within the limits of the Chancellor's directives every effort is being made to help enterprises which contribute to the nation's prosperity.

The increase in the bank property item is accounted for by the purchase of properties and the rebuilding or extension of premises where the business has outgrown the existing accommodation. In accordance with our programmes of development we hope to open offices in two important centres, Newcastle-on-Tyne and Derby, within the next twelve months.

SPECIALIST ACTIVITIES

With the gradual easing of trading restrictions by many countries there has been an expansion in the business of our foreign department. The re-opening of the commodity markets and the larger imports have brought us a greater volume of foreign exchange transactions and more import credits have been established on behalf of customers. Especially welcome has been a recent addition to the total of export bills and a small though significant increase in the number of our export credits.

Realising the many difficulties which now face those who seek to maintain and increase the sale of their goods abroad, our export information service makes available to customers as much data as possible concerning market and financial conditions overseas. Much of this valuable information is gained by our officials, who continue to make frequent visits to other countries.

Each of our trustee offices is making good headway and the over-all activities of the department show a progressive increase year by year. The rapid growth of our trustee business over little short of half a century provides ample proof of the growing appreciation of this specialist service.

In these days of costly living and high, complex taxation, there is an obvious need to ensure that an estate is carefully and efficiently administered. A frequent difficulty encountered nowadays by executors, and one which makes their task increasingly

onerous, is that of valuing shares in a private company for Estate Duty purposes. The problem is not only to arrive at a fair value but also to mitigate the serious effect of the duty liability when a testator's main assets are shares in such a company. It is, therefore, reassuring that the Chancellor of the Exchequer is already giving the matter his consideration and the results of his investigation are awaited with much interest.

PROFIT AND DIVIDENDS

The year's results show a satisfactory improvement. After the usual provisions have been made, net profit at £559,744 is £44,072 higher than that of the previous year and, with the amount brought forward, the disposable balance is £854,105. As mentioned in the report we are appropriating £200,000 to our general reserve and, since we feel the time has arrived when there is justification for an increased payment on the "A" and "C" shares, we are recommending a final dividend of 10% per cent on these shares (making 20 per cent for the year). We are also recommending the maximum dividend of 5 per cent on the "B" shares (making 10 per cent for the year), all dividends being paid less income tax. Subject to satisfactory profits being earned, it is the intention of the board to recommend that this annual level of distribution be maintained, and that the dividend should be paid in equal half-yearly instalments. After the appropriation to general reserve and allowing for the dividends, which items together will absorb £510,027, there remains a sum of £344,078 to be carried forward to the next account.

Realising the importance of close co-operation between head office and the branches, we frequently hold managers' conferences and refresher courses for newly appointed officials. Our general managers also continue to visit offices under their control. These arrangements are proving well worth while and from another satisfactory annual report I am sure we can say we have evidence that the bank continues to meet the needs of its many customers. Once again, therefore, I should like to take this opportunity of expressing most sincere thanks to the management and staff for a year of loyal and efficient service.

A FREER ECONOMY

Much has been accomplished since the gold and dollar deficit inherited by the present Government threatened a financial crisis. Indeed another year's progress has proved the soundness of the corrective measures which were adopted. Our balance-of-payments position for the first half of 1953 showed that, even excluding Defence Aid, there was an over-all surplus and a balance was nearly reached with the dollar area. The upward surge in the cost of living has been checked, production has improved and we have added to the national income. But perhaps progress has been most clearly evidenced by the fact that we have gradually re-established a freer economy.

It must, however, be recognised that external conditions made progress easier for us. A high level of activity continued in the United States, the price of raw materials declined and, as they resolved their payments difficulties, Commonwealth and European countries were able to diminish the restrictions they had been compelled to impose upon imports. Nevertheless it must be recognised that neither our gold nor dollar reserves expanded as much as we had hoped, and our exports gained but little ground whereas those of the United States, Germany and Japan forged ahead. This is disquieting and, as we are likely to experience keener competition in overseas markets, the consequences may become more manifest during 1954.

EXPORT PROBLEMS

It must be admitted that trading conditions are in many ways exceedingly difficult and subject to incalculable changes. A year ago monetary and investment policy was framed to restrain home demand for capital goods and not to depress the internal trade for consumer goods for which overseas demand had declined. With tax concessions modifying that policy today, and with greater external demand for consumer goods, it may well be difficult for exporters to accommodate themselves to these changes to say nothing of numerous other complications.

Of recent months there has been some lack of sterling and, as at the same time more dollars have been available, there has been a growing tendency for certain countries to buy from the United States rather than from us. It is also inevitable that there should be some slackening of demand as we move into a buyers' market because customers tend to delay their orders in the expectation of lower prices. Furthermore, various incentive schemes by which some countries seek to increase their sales abroad hamper our exporters, whilst barter agreements and political influences impede the normal trend of international trade.

Allowing for these conflicting circumstances it is not surprising, though extremely disconcerting, that, judged by volume, no major group of our exports appears to be really strong enough to hold its own against external pressures. Textiles and certain other consumer goods, which were the first to wilt under the difficult trading conditions of 1952, have subsequently made some recovery. On the other hand metal and engineering products, which gave way more slowly, declined steadily and, despite a recent improvement, still fail to make satisfactory headway even with the notable support afforded by our newest export, aircraft. Such contrasting experience should, I think, serve to emphasise the wisdom of not depending too much on one group alone and this view seems to be borne out by the trend of miscellaneous manufactures which, apart from a set-back of short duration in 1952, have made reasonably good progress.

Mainly the lesson to be drawn from even this brief unsettled period of two years is

that the broad divisions of our exports—consumer and capital goods—do not experience the same vicissitudes at the same time and that, if we are to aim at over-all stability in good times and bad, the importance of both sections must be recognised. Moreover, the economies of many countries are still so artificially supported by rearmament, or by intensive nationalism fostered by prolonged inflation, that the ups and downs of trade are not likely to diminish in any foreseeable time. Admittedly the rising standards of living in recently developed countries should stimulate the demand for the more complex products which we, a highly industrialised nation, are equipped to supply. But, on the whole, postwar resettlement may well lead to changes in the international pattern of trade greater and more unpredictable than hitherto and, that being so, it seems to me that a diversity of exports ought to serve us even better in the future than it has done in the past.

THE JUSTIFICATION OF IMPORTS—

Meanwhile, although a wide range of manufactures has enabled us to increase the volume of our exports, the increase has been insufficient to justify our large intake of imports. Since this situation threatens the balance of payments, it is natural to question the need for these heavy imports, especially as, with a high level of domestic consumption, they may be deflected from exports on which our solvency depends. I would, however, venture to suggest that some needless apprehension can be removed by an examination of the facts.

In a manufacturing country such as ours, which possesses few raw materials, imports must precede processed exports. There is, therefore, reason to hope that larger imports will in due course be reflected in larger exports. Some increase in our consumption is explained by the welcome, though small, rise in capital investment with its promise of greater efficiency in production. The progressive freeing of our economy, with the dispersal of stocks consequent upon the substitution of private for state trading, is also bound in the transitional stages to absorb more imported commodities, whilst the gradual termination of rationing may well have brought about the purchase of more food from abroad.

—AND OF THE HOME MARKET

In so far as industrial stocks and the nation's larder have been replenished, the balance of payments position is better than it might seem and, because we have been importing whilst commodity prices have been falling, our purchases would at least appear to have been well timed. Satisfactory as this may be, it is reassuring to have it from the Chancellor himself that internal trade has not risen to such an extent as to overstrain productive capacity or starve the export industries. This is not to say that the home market can be indulged with every luxury, but let us at least recognise the desirability of maintaining activity here at the highest level practicable. After many years of restrictions and austerity this, I think, is something of which we may need to be reminded. When all is said and done, we produce in order that we may consume, and, just as a nation denied the opportunity to consume will become dissatisfied and lose its efficiency, so one given greater freedom to do this will increase its initiative and its production.

This is certainly borne out by our own experience. The shedding of numerous controls has at one and the same time freed production and helped to restore consumers' choice with the result that a much wider and more attractive range of goods in increasing volume is finding its way into the shops. We might welcome this flow and variety as

proof of the resurgence of initiative and enterprise, but I think we can also do so in the expectation that they will spur the community on to greater effort to earn more in order that they may buy. Over and above this, we should welcome a vigorous home market because it is indispensable to the development of an export trade in that it facilitates technical advancement, furthers enterprise in regard to style, design and new products, provides a backing for ventures into fresh markets, and reduces the overhead costs per unit of output.

For so highly industrialised a country as ours there should be no doubts about the need for expansion and development. The revitalised home market is but another step towards the desired end and a move which, with the re-created monetary and price mechanisms, should make our economy more flexible and therefore more efficient. The need for efficiency is a continuing one in industry and especially so just now when discovery and invention are proceeding rapidly in so many fields. Indeed it is impossible to over-estimate the importance of efficiency at the present juncture when, in the interests of the nation at large, production has to cope with an active domestic trade and make a bid for exports at one and the same time—a time moreover when no day passes without reports of mounting competition in world markets.

THE IMPORTANCE OF PRODUCTIVITY

But despite what has been done to increase efficiency, it seems to me scarcely possible that exports will not fall far short of what is urgently required if wages are allowed to raise costs when many other countries are effectively containing their inflation. Moreover we are considerably hampered—as responsible quarters recognise only too well—by a serious lack of capital for industrial development. This may seem a tedious repetition of the obvious, but so inadequate has been the flow of capital over recent years that for industry as a whole it has been practicable to do far too little beyond offsetting wear and tear of equipment and, although during 1953 the Budget and Bank Rate have facilitated industrial investment, the beneficial results from projects which have thus been made possible will not be felt for some time.

Cheaper exports in quantity cannot therefore be expected immediately by means of increased mechanical resources, and if they are to be produced—as indeed they must—this can only be by a much better use of existing capital equipment. The key to an increasing output of exports at the right price is then much greater productivity which can only be achieved by unflagging and co-ordinated effort of management and men. In this way we may hope to make good the existing shortage of capital and hasten the time when adequate re-equipment and modernisation can be undertaken so that these can play their full part.

This is not to overlook high taxation, a lightening of which would most effectively augment the supply of capital for industrial development and so increase production. But without forgetting that heavy taxation is an evil or without lessening the pressure to get the fiscal burden reduced, it is in my opinion more realistic to rely on increased productivity because this is within our own power to accomplish. What is more, increased productivity has much to recommend it since it is one of the surest ways to gain tax concessions and, I should add, a higher standard of living.

COTTON AND RAYON TRADE PROBLEMS

For the cotton and rayon trade increased productivity is of particular importance, seeing that over and above problems relating to capital and taxation it has to contend with

a serious shortage of labour, the aftermath of a falling off in business a year ago. With the industry now working at full pressure there is every need to make the best use of existing machinery and manpower and so prevent the loss, through long deliveries, of orders, particularly those from abroad. But a further reason why equipment and labour must be used to the best advantage is that profit margins have narrowed despite the steady improvement in trade. The fact that the present high level of demand with extended deliveries is reminiscent of the situation which preceded the earlier recession provides yet one more reason for this co-ordination—in order that competitive strength may be improved in readiness for another lean time should it come.

Nor can the trade be blamed for being apprehensive because the present activity owes far too little to expansion of business overseas. It is of course not right to assess the industry's foreign currency earnings without taking into account a wide range of exports which are not classified as either cotton yarns or manufactures but which have a cotton or rayon content. Indeed, allowing for these items, the industry's overseas trade balance is not only well on the right side but is improving. Nevertheless export orders fall far short of what is required and, although so much of the home trade relates to industrial materials, preoccupation with this market must not be allowed to disguise the fact that in the long run the trade's prosperity depends on an expanding export business. Meanwhile there is no comfort to be drawn from the knowledge that some competing countries with advantages of labour, wages, or productive methods, are also finding it difficult to increase, or even maintain, their cotton exports.

In spite of growing uncertainties, however, Lancashire's position has been greatly strengthened by the clearance of stocks and by the increasing demand for a very wide range of cloths. Moreover, the financial strength of many concerns now provides them with much greater resources with which to meet competition. But reassuring as this may be, there is the problem of new machinery: so prohibitive is its cost that only with the full co-operation of labour, whereby machines are employed to the very best advantage, will it be possible for the industry to undertake extensive re-equipment and modernisation.

Purchase tax not only continues to concentrate production on fabrics which are less suitable for export but also acts as a deterrent to experiment and enterprise which, given free expression, would be invaluable in the export field. Certainly mechanical and technical developments will be held in check so long as purchase tax hampers production of the medium and higher quality ranges. For high-class merchandise, in particular, intricate machinery is needed, but its installation could only be justified on the lower costing that would ensue if the lifting of purchase tax freed the home market and so permitted the trade the full advantage of manufacturing for unrestricted domestic needs as well as for exports.

The termination of the operations of the Raw Cotton Commission was sooner or later inevitable, and the Liverpool futures market for trading in American cotton is to be reopened in May. While there will be a universal wish for its successful operation, initial difficulties are bound to be experienced, especially in providing a spot market of sufficient size. Moreover, outside growths, the use of which has been steadily increasing in Lancashire of recent years, will not be tenderable against the American contract. These difficulties, which are serious, belong, it is to be hoped, to the transitional period, but until they are resolved they will exercise the minds of all closely connected with the

ANSELLS BREWERY, LIMITED

ALL OUTPUT RECORDS BROKEN

MR A. E. WILEY'S SURVEY

The fifty-third annual general meeting of Ansell's Brewery, Limited, was held on January 15th at Birmingham.

Mr A. E. Wiley, chairman and joint managing director, in the course of his speech, said: The trading results are very satisfactory, in spite of continued difficulties, through rising costs, particularly those concerned with managed houses, such as wages—which are controlled by the Catering Wages Board—local rates, and most of all the maintenance of your licensed properties.

In 1939 the cost of maintenance of licensed and other properties was approximately £72,000; this year the expenditure has risen to £345,000, and I can see no possibility of this figure being reduced unless there is a considerable drop in costs, and particularly some relief in taxation, for example, an allowance for depreciation of buildings similar to that which is given to manufacturing businesses.

LARGER PROFIT AND DIVIDEND

The present year's group trading profit amounts to £1,940,030, compared with £1,762,999 for the previous year, being an increase of £177,031. This increase is brought about by additional turnover and the extension of your company's operations through its newly acquired subsidiaries. It will be noticed, however, that there are increased charges for depreciation of £23,308 due to additional capital expenditure during the year, taxation £53,415 and debenture interest £15,811 owing to the change during the year of the 5 per cent second debenture stock.

The total charge for taxation of £928,503 is considerably in excess of the amount last year. This excessive and penal charge for taxation, in spite of the small reduction in the standard rate in April, 1953, still calls for further consideration by the Chancellor of the Exchequer to grant some further relief in order that your company's high standard of efficiency in plant and equipment can be fully maintained, particularly the company's licensed properties, as mentioned earlier.

The balance remaining for appropriation is £936,773, compared with £810,166 in 1952. This amount has been appropriated in accordance with details given in the report, including final dividend of 12 per cent, which, on the increased ordinary stock, is approximately 24 per cent more than that which was paid for 1952, and which I am sure you will agree is very satisfactory, leaving a balance of £297,131 to be carried forward to next year.

SUBSIDIARY COMPANIES

In previous years I have always referred to the results of your subsidiary companies, and I am pleased to say that the Victoria Hotel still continues to become more popular. We have most encouraging reports from people visiting the hotel. The sale of your products has considerably increased during the year.

The South Wales Company, Lloyds (Newport), Limited, has been instrumental in increasing considerably the profits of the parent company. I cannot help referring again, however, to the unfair competition we receive from the clubs in South Wales. We do not ask for any privileges over the

tenants and managers to see their customers drifting off to the clubs on Sunday evenings while our houses, which have the comfort and service to offer, have to remain closed. Some more equitable legislation concerning licensing laws in Wales is long overdue.

We have now had an opportunity of having almost a full year's trading of the Leicester Brewing and Malting Company, Limited, the results of which have been most satisfactory and have fully justified the acquisition. Trade is increasing month by month, and your directors are very satisfied with the results. During the year we also took over the wholesale bottling business of Messrs E. Brittain and Company, of Leicester, and the figures will show that the confidence of your board in the advisability of this action was not misplaced. Mr W. R. Brittain has joined the staff of your company, and I am sure that his extensive knowledge of our trade will prove to be of advantage to your company.

The policy of your board has always been to keep the brewery in full production as far as possible and, had it not been for the various acquisitions, the increased profits as shown in the year's accounts could not possibly have been achieved.

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Mr Walter Scott, JP (deputy chairman and joint managing director), in the course of his speech, said:

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Also, as was anticipated when our subsidiaries in South Wales and Leicester were acquired, we have considerably added to our earning capacity; the possibilities of which are by no means exhausted, as our products become better known and our plans can be more extensively carried out. As a result we can boast that we have broken all records for output, both of draught and bottled beer, in the history of the company.

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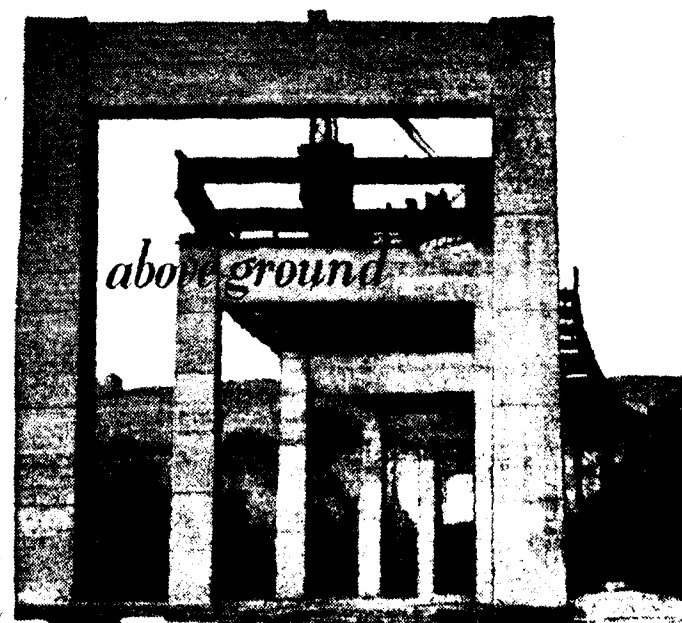


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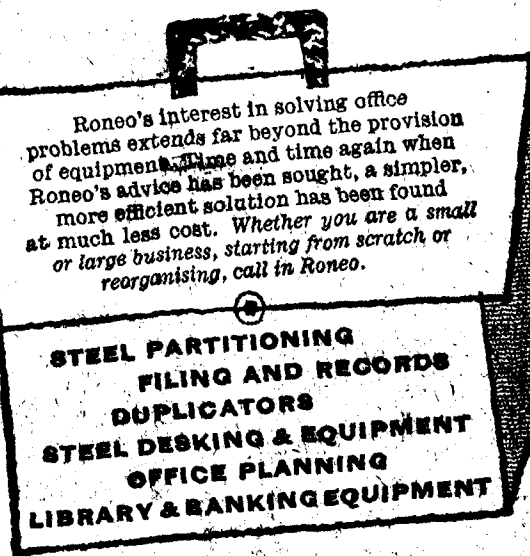
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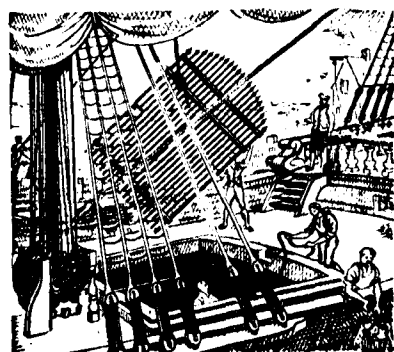
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JANUARY 30, 1954

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One and a Half Worlds

THE Randall Commission deserves all praise for the admirable expedition with which it has produced its report. If this is all that can be said without qualification, that does not mean that Mr Clarence Randall, Professor John Williams and other undoubted liberals on the commission are less convinced internationalists than Mr Bell, Mr Gray and the authors of more forthright American utterances of recent but fading memory; they, too, if left to their own devices, might have issued a statement fiery enough to light up both Europe's enthusiasm and Congress's irritation. But the freer traders on this commission had a different and more difficult task to perform. They had to dilute their liberalism into practical schemes that would be innocuous enough, on the one hand, to be acceptable to the Taftite wing of the Republican Party that is in control in Congress (personified in this instance by the chairman of the Senate Finance Committee, Senator Eugene Millikin); but strong enough, on the other hand, to provide some basis for advance by non-dollar countries to the ideal of a single trading world. Nobody should be surprised that, in striving to attain both objectives, they have failed to attain either.

The main features of the report are set out on page 321 of this issue. They do not make very stimulating reading. The commission started from the assumption that economic aid—open or disguised—should be terminated as soon as possible; this is going to happen in any case, and the commission was wise to recommend the inevitable. In its place the majority proposes a long list of minor improvements in American investment and trade policy. They recommend that special tax privileges and even experimental government guarantees should be accorded to Americans who invest abroad; that the "Buy American" Act should be modified; that the Trade Agreements Act should be continued for three years, with power to the President to make further tariff reductions, some of them without requiring reciprocal reductions by other countries; that the existing barriers against imports of food and raw materials should be lowered; and so forth. But from every one of the recommendations here specified—and from some of the others—Senator Millikin either dissents or demurs; and two of his colleagues from the House of Representatives have dissociated themselves from the report in its entirety.

Unfortunately, these Congressional dissents are of greater practical importance than the majority report. They make it cruelly plain that when (and if) the proposals of the majority report are put into the Congressional cauldron, they may boil down to very little—not that there is so very much there even before the boiling has started, so far have the majority gone in the effort to carry the politicians with them. Even if the proposals of the majority were carried through Congress in the teeth of Senator Millikin's present convictions—and it is difficult to see how they can be—they would be unlikely to increase American spending overseas by more than a few hundred million dollars in any normal year. The commission itself recognises that in 1953—a year of

exceptionally favourable trading—the outside world ran a dollar deficit of between \$2,000 and \$3,000 million, and was able to finance this only by economic and military aid. Much of that aid is now to terminate, but the gap—which would, of course, be very much larger but for discriminatory import restrictions against dollar imports—is plainly going to remain.

★

It is therefore no longer a subject for sophisticated argument whether the sterling area can make a speedy advance to non-discrimination in trade and to full convertibility. It is a lesson of simple arithmetic that it cannot. The question at issue now is the much more limited one of whether the sterling area can make what the commission calls “a gradual controlled approach” towards these objectives, or whether it should retreat further under its imperial umbrella. The Randall report holds out some inducement to the more liberal alternative, in the form of larger credit facilities for debtor countries from the International Monetary Fund, and perhaps also from the Federal Reserve Banks. It also confers a specific blessing on floating exchange rates. With these aids, it is argued that the non-dollar world could go forward to the removal of restrictions on trade and payments, gradually and hand in hand. Some of the recommended steps are greater freedom for trading in dollar commodities on the London markets, further liberalisation of trade among the countries of Europe and even (though here the Congressmen disagree) increased trade in non-strategic goods across the iron curtain.

The policy of a gradual approach to convertibility and non-discrimination is one that will command almost universal assent—though there will still be wide differences of opinion about how fast and how far the approach can go, and whether there need be any provision for retreat in bad times. Unfortunately the liberals on the Randall commission seem to have gone out of their way to strike one blow for the faint-hearts in this matter, and they have been jostled out of their way to strike another. The report's sin of commission is that it launches a sharp attack on inter-governmental commodity agreements which might serve to stabilise the prices of staple raw materials. This is the only passage in the report where old-fashioned liberalism rings out clearly, clear as a death rattle for the embryo tin and rubber schemes; it is unfortunate that this is also the only place where the sterling area finds old-fashioned liberalism on America's part unhelpful. The report's sin of omission in this field is that it makes no proposal that America's “escape clause” and “peril point” provisions—under which tariffs can be raised if domestic industries get into difficulties—should be removed; foreign exporters who shoulder the considerable initial expense needed to establish themselves in American markets will therefore still be advancing across a perpetual trap-door. Thus while it is clearly implied that the non-dollar countries' approach to full con-

vertibility and non-discrimination is to be a one-way street, with no question of return, America itself is to be allowed to beat a retreat at any time.

These two recommendations are disappointing (they will be more than that if—as is not wholly impossible—they turn out to be about the only advice in the report that Congress follows). But with these exceptions, the majority report comes up to the expected standard of moderate helpfulness. Unfortunately, all that the labours of the Randall Commission have proved is that helpful suggestions, even when so moderated, are not likely to be accepted. American action cannot be counted on to close more than a small part of the dollar gap. What conclusions should the rest of the world, and the sterling countries in particular, draw from this now almost established fact?

★

There will be plenty of people, of course, who will seize upon it as justification for still more discrimination and restriction, for shutting ourselves up even more completely in a hemisphere hermetically sealed against the dollar. But this would be quite illogical and very silly. Even if trade with the dollar area cannot be as free as trade with other currency areas, it is still to everybody's advantage that it should be as large and free as it can be. The fact that the Americans are less anxious to take us to their commercial bosom than we hoped provides no grounds for deciding that trade with them is still as true as ever it was that it is the only way to avoid being divided into two completely separate worlds for economic purposes would not only impoverish them all but would sooner or later hinder them from acting together in political matters, to their own ruination.

But if there is no excuse for a policy of Two Worlds, it is equally unrealistic to cling to the belief that the One World of postwar dreams—the One World without quotas, excessive tariffs, discriminations or exchange controls—can be attained within measurable time. It is not pleasant to say this, but it is a fact that should have been faced before now. Too much time has been wasted in elaborating rules for a world that cannot be recreated, instead of working out what can be done in the world that exists. What can be attained is, so to speak, One and a Half Worlds—a state of affairs in which countries are under an obligation to make their trade and payments as free as they can be made, but with the recognition that there must inevitably be grades of freedom. In practical terms, this means a large non-dollar area, practising a high degree of unrestricted multilateral trade within its own limits, and, though controlling its dollar trade more tightly, nevertheless spending in the dollar area every dollar it can earn. This is not an ideal picture, but it is a practical one, and one which would provide a large part of the benefits of the international division of labour. If the Randall Report and the Congressional commentary on it are read aright, it is to the ordering of the One and a Half Worlds that practical men will turn their minds.

Molotov's Horses

AT the very first session of the foreign ministers' conference, Mr Molotov amply justified the apprehensions that his diplomatic Notes had aroused as long ago as last September. He had then made it clear that the Soviet government was not interested in a conference on Germany and Austria alone. What it wanted was a kind of global ding-dong, in which it could block progress on any one issue by dragging in wholly irrelevant matters, if necessary from the other end of the earth. It was thus no surprise when the Soviet foreign minister, at the outset of a meeting on German soil between the four powers that defeated and occupied Germany, immediately introduced the question of China.

By instantly accepting his demand that this irrelevancy should rank first on the Berlin agenda, the three other ministers not only caught the rocklike Molotov momentarily off balance; they also advanced towards three useful objectives. First, they sought to eliminate the tedious argument about procedure that marks nearly all negotiation with Communist powers; these wrangles make public opinion in the free world impatient, and thus weaken the western negotiators' position. Second, they showed the peoples of Germany and Austria that the West is so sincerely anxious to discuss their problems that its statesmen will bear with irrelevance, and even absurdity, to that end. Third, the three ministers proclaimed themselves ready to restate their views on the question of China before beginning to discuss Germany and Austria—a procedure which should set limits to Soviet attempts to use Far Eastern levers to extract concessions in Europe, or vice versa.

Any Russian offers to trade Asian horses for European ones must, indeed, be treated with great caution, whatever their form, and they may take many forms, of which the attempt to bulldoze the Peking government into the inner councils of the Great Powers is only the most blatant. The serious consequences that would follow an acknowledgment of Peking as the great power of Asia before it had dropped its present bellicose attitude have already been discussed in *The Economist*; it would mean, in effect, that the free world had surrendered in advance the bargaining counters with which it may yet succeed in imposing a measure of restraint on Communist expansionism in the Far East. But there are other forms of horse-trading as between Asia and Europe which Mr Molotov may now propose in the Berlin market.

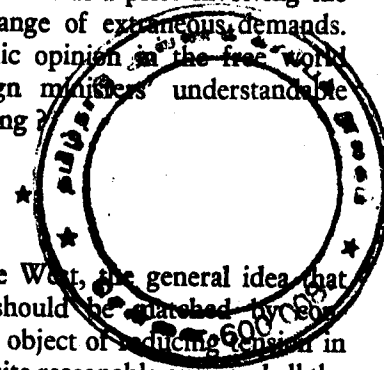
Since the Russians' basic objective in Berlin, as at other times and places, is to disintegrate the unity of the West, the first hints of any new offers are more likely to be dropped in the private ears of individual western delegates than made openly across the conference table. And something may be found to appeal to

the palate of each of the three western partners. In Britain, a strong and by no means wholly left-wing lobby might be mustered to welcome a suggestion that concessions in Europe could lead to better trading relations with China. For a good many Americans, a hint that a modest reduction of United States armed strength in Europe would facilitate a genuine settlement in Korea might have considerable attractions. France, however, is the most obvious customer for a horse-trade of this kind; how many people in Paris would refuse to look twice at an offer to call off the war in Indo-China in return for the abandonment or emasculation of the European Defence Community?

From the western point of view, it was therefore singularly apt that it should have been M. Bidault who, on Monday, took the first opportunity of declaring that the solution of European and Asian problems should not be made dependent on each other. (Equally felicitous was the choice of Mr Dulles as spokesman for the western decision to accept the Russian agenda.) Western statesmen are not without experience in these matters. They have seen the Russians make a German settlement dependent on an Austrian one, and that in turn on a solution of the Trieste problem; and more recently they have witnessed a determined Chinese attempt to sell peace to Korea at a price involving the satisfaction of a whole range of extraneous demands. But how far would public opinion in the free world endorse the three foreign ministers' understandable aversion from horse-trading?

To many people in the West, the general idea that concessions in Europe should be matched by concessions in Asia, with the object of reducing tension in both areas, must seem a quite reasonable one; and all the more so at a time when the line seems to be holding in Europe, while in the Far East the free nations are hard pressed. It is therefore all the more important that it should be clearly seen whether any Russian offers of mutual concessions are genuine or not. After six months spent in trying to delay and divide the West by diplomatic Notes, Mr Molotov has now come to Berlin to delay and divide it in person. There is not as yet the least evidence that the Russians and Chinese are honestly willing, or even able, to make substantial concessions in either Europe or Asia. Dare they withdraw the Red Army from Germany, or allow free elections in their zone? Could they call Ho Chi-minh to heel, or accept the continued existence of a non-Communist Formosa?

These are the questions that need to be asked and answered before any dark hints about horse-trading can



be taken seriously by the West. It is extremely doubtful whether any satisfactory answers will be forthcoming. On present form, the Russians are likely to parade a number of vaguely good-looking horses along the far side of the paddock, but without letting the western representatives get near enough to feel their fetlocks. Closer inspection would probably reveal any one of them to be a horse of a different colour, superficially

The Troubles of Buganda

ON his present visit to Africa Mr Lyttelton is not going to the little kingdom of Buganda. He will not be able to avoid it when he returns to Parliament. The colonial bear-baiters in the Labour party, in sharp contrast to their experience in the Guiana affair, have been gaining ammunition as the dispute has dragged on. It is all too probable that they will have another shy at their favourite Aunt Sally before public interest in the Kabaka's exile dies down.

The delegation sent to this country by the Lukiko (or parliament) of Buganda has made a good impression. Proud of their own traditions instead of preening themselves with foreign theorists' political traduccments, its members are just the sort of people on whom many liberals' hopes for African advancement now rest. They showed their good sense by trying to keep clear of the party quarrel in this country as long as possible. But when the Government finally decided that the Kabaka's exile was irrevocable, the delegation published its own account of the crisis, which introduced certain marked variations into the original theme. It is important, therefore, that any doubts about the Government's conduct of this affair should be cleared up.

What is the official case? Briefly, it presents the picture of a ruler who deliberately went out of his way to break the agreement of 1900 under which the British Government recognised him. The Kabaka made (though he has since retracted) two main demands: that Buganda should come under the Foreign Office and that it should be given self-government within a fixed period. By filing these he appeared to be demanding that his kingdom should be separated from the rest of Uganda, although he had specifically promised to assist in developing it as an integral part of the protectorate. When the British Government turned down his demands, he refused to pass on its decision to the Lukiko without adverse comment; although he was bound under the terms of the 1900 agreement to take the advice of his British officials. The Governor spent months trying to persuade him to act according to his responsibilities, and only when all else failed was the decision taken to depose him.

The Baganda delegation has made two important criticisms of this story. First, it claims that the demand for self-government was misunderstood. In the dele-

tinted and entered under a false name. The West should not altogether shut its eyes and ears to offers lest, by a miracle, they be genuine; but it must at all costs avoid being drawn into discursive debate about purely hypothetical possibilities of horse-trading. Mr Molotov is well equipped to continue on these lines at indefinite length, while nothing gets settled—but western opinion gets increasingly unsettled.

gates' view, the Kabaka (and the Lukiko) were entitled to speak only for Buganda; hence their narrow terms of reference. The Kabaka, they say, wanted to take the lead in achieving self-government for all four provinces of Uganda; admittedly, he wanted some sort of federation (which was a technical breach of his pledge to maintain an integral state), but he did not mean to ask for full-scale separation. They point by way of proof to a joint letter signed by the treaty rulers of the other three provinces as well as by the Kabaka. This letter certainly was written; but it is doubtful how far the other three rulers knew what they were about, since they were quickly persuaded by the Governor to retract. In any event, this explanation does not really hold water; the Governor had repeated and lengthy discussions with the Kabaka, and the dispute would not have gone as far as it did if the Kabaka had merely made himself look like a separatist by mistake.

The second criticism levelled by the delegation is more important. It is that the Kabaka was put in an impossible position—that he was penalised for acting in the spirit of the democratic reforms that the British themselves introduced in Buganda this spring. The Colonial Office maintains that the Kabaka put forward his proposals on his own initiative; but the delegates say that he was merely interpreting the wishes of his people. There is evidence to support this contention. There had already been agitation in the vernacular press for the views the Kabaka expressed; moreover, the Kabaka's ministers signed his original letter and he received wide support once his demands became known. Why, the critics ask, was the Kabaka first persuaded to fill the role of a constitutional monarch (which involved him in having to act as the spokesman of his people's wishes), and then held to the letter of an agreement that presupposed that he could act as an absolute ruler? The other three treaty rulers have taken up the same complaint—that it is impossible to act as constitutional monarchs and yet disregard their people's wishes—in a recent letter to the Governor.

The Colonial Office's answer to this argument is that the Kabaka and his fellow rulers are not meant to be constitutional monarchs; they are executives of the Government. The Kabaka certainly does not look or feel like a civil servant; but, since he has withdrawn the most intransigent of his demands, the Govern-

ment's refusal to allow him to return cannot solely be due to this difference of definition.

Instead Mr Lyttelton's case is based largely on an argument *ad hominem*: that on his previous record the Kabaka is not to be trusted. This is undoubtedly the key to many of the riddles in this unfortunate affair. The Government has so far been chary of bringing personal issues into the controversy, but if criticism persists it may feel bound to justify itself by doing so. Some of the personal issues involved are very delicate. Others are political and blunt. It seems, for example, that in the 1949 riots the Kabaka may have taken care to avoid too close an association with the Colonial Office, with the result that what had started as an attack on privilege in Buganda ended as an attack on the Protectorate government. Did he also prefer popularity to responsibility in other ways?

The Labour party has laid responsibility for the conflict at Mr Lyttelton's door, because he referred in a speech to the possibility—albeit extremely remote—of an East African federation (a suggestion loaded for the African with implications of white domination). This speech certainly set the cat among the pigeons; but the real causes are far more complex. A young African looks out from the shores of Lake Victoria on a world in ferment. In Central Africa the white settlers appear to be in control. But to the north, in the southern Sudan, Africans have won a form of self-government; and Somaliland is looking forward to independence after ten years of United Nations trusteeship. In Nigeria there are yet closer analogies; the concept of a unitary state has been successfully challenged and the more advanced peoples have won from the British acceptance of the principle of self-government by 1956 without incurring exile or suppression. The lessons of what has been happening in the rest of Africa have not been lost on the Baganda.

Yet no one looking at the tiny patch of Buganda on the map, with its population of little over a million, could seriously contemplate separating it from—or weakening its ties with—the rest of the protectorate. Unless the unit remains closely knit, its precarious prosperity is bound to suffer; and the reforms in agriculture, trade and education which the present Governor, Sir Andrew Cohen, has energetically put in hand are all dependent on the maintenance of national unity. The problem is to find a political framework within which they can be carried through to fruition. In accordance with normal colonial practice, the British Government envisages the development of self-government through a central legislative—and elective—assembly. Many Baganda, on the other hand, look instinctively, but perhaps muddleheadedly, for a solution that would leave their tribal structure intact—though no one really has any idea how a loose federation could be made to work. The resulting clash has been essentially a conflict between an administrator's logic and a tribe's emotions. Unfortunately it will now be harder than ever for moderate Baganda to take the lead

without appearing disloyal both to their tribe and to the exiled Kabaka, on whose head something like a halo of martyrdom has now descended.

For this reason, if for no other, any suggestion that there is still a chance of his returning is more cruel than kind. No constructive policy will be possible so long as any doubt on this score—and the accompanying fear of reprisals—remains. The moral of the affair is very different from that held by some people both in this country and in the colonies themselves. To paint a picture of an arbitrary and reactionary colonial power brutally suppressing the leader of a small nation whose only crime is a desire to be free is temptingly easy. It would be wrong in any part of the colonial empire, and doubly or trebly wrong in this case. If there is any territory in which British policy is unquestionably progressive and liberal, it is Uganda—where, one might add, the present Governor has (so far as a civil servant can) identified himself with the policy of rapid advance. It is not a conflict of reaction *versus* progress; it is a conflict between two conceptions of the path that progress should follow.

As popular institutions in the colonies take a firmer hold, it is becoming more and more obvious that the boundaries drawn across the face of Africa in the latter part of the last century were in nearly every case artificial. It is not that they divide African nations; there are no African nations, there are only tribes. Yet if the emancipation of Africa were to result in the creation of scores of independent units—a sort of super-Balkanisation—it would be a mockery. If the African peoples are to be able to stand on their own feet they will have to be welded into nations. It is

Retracing False Steps

It is not easy either for individuals or nations to retrace a false step, to turn over a new leaf, to begin a reformed career. But it is much easier for nations than for men. Such a change in individuals involves a rare wisdom and a rarer courage, much energy to break off old habits, much resolution to endure the reproaches of mortified vanity and the stings of wounded pride. It is painful to acknowledge error: it is humiliating to promise amendment. But that which in men presupposes a change of life, in nations implies merely a change of policy;—that which in men needs a change of character, can be effected in the case of nations by a simple change of Ministry. A State which has long carried on an obstinate and unprofitable war may suddenly conclude a moderate and honourable peace—the sole prerequisite and explanation being that the pacific opposition has come into power, and the belligerent administration has been displaced. A Government that has long been bigoted and retrogressive may embark in a career of generous improvement and of liberal institutions; and the inconsistency is veiled or removed by the simple fact that an old statesman has died, and a young one has stepped into his place:—the superannuated ideas of the past generation naturally giving way to the light and knowledge of the coming dawn.

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not, however, easy to find the right tempo for carrying this process out. Some tribes may fear that if it goes too quickly they will be swamped by their more advanced neighbours, who, for their part, may well find the pace too slow. Nation-building is perhaps particularly liable to be unpopular where, as in Buganda, a relatively advanced tribe has a well-developed set of tribal institutions. But to give way whenever there is opposition

would be to abandon the policy of nation-building for that of tribal fragmentation—and to do so, what is more, not because anybody in this country thinks that fragmentation is preferable, but simply out of weakness of will. When a trustee sincerely believes that he knows better than the beneficiary what will in the end be to the beneficiary's interest, he is not only entitled to insist on his own view; it is his duty to do so.

The New Rifle

THE Prime Minister's announcement last week that the British Army has adopted a new rifle was something that happens only once in a lifetime. Over fifty years have passed since as fundamental a change as this was made in the basic weapon of the individual British soldier. It is small wonder, therefore, that the final decision has been preceded by discussion and trials which have been continuous ever since the end of the war. It is even less surprising that the decision should have taken so long when the pros and cons of international standardisation have also had to be taken into account. Indeed, in the latter stages of the trials, the need to choose a weapon that all the Nato countries might eventually agree to use was one of the main difficulties.

Even now, Britain's adoption of the rifle known as the FN .30 is, it must be emphasised, still a purely national decision; there is no Nato agreement. The decision thus raises two important questions: Is this really the best rifle for modern war? And is it really the weapon that has the highest chance of being standardised throughout the Nato forces? Both questions are best answered by briefly examining the record.

FN stands for *Fabrique Nationale d'Armes de Guerre*, a Belgian firm from Liège, and .30 represents a calibre slightly smaller than the .303 with which Britain has fought the last two great wars; this calibre is also slightly larger than the .28 with which Britain's own new rifle, the now discarded EM-2, was first tried out in the initial trials after the war. At that time, it was recognised that the existing Lee Enfield rifle had become obsolete; Britain was, and still is, the only major power to rely on a hand-operated, breech-loading rifle as its basic infantry weapon. Experiments were therefore begun, on the one hand to develop a new self-loading rifle—one, that is to say, in which the spent gases of the expended cartridge automatically eject it from the barrel and force another in, so that the soldier has only to keep pressing the trigger—and, on the other hand, to determine the optimum calibre and velocity for modern war.

The decision about the size and type of bullet proved easier than the decision about the rifle. Nato took up the problem in 1951 and the verdict, when it came, was essentially a Nato recommendation. As a result, the

forces of all the Nato countries are now to standardise gradually on a rimless cartridge of .30 calibre firing a high velocity bullet which, wherever manufactured, will fit into any of their rifles or automatic weapons. This is no small achievement, though it will take years to put it fully into operation. The new cartridge and bullet are based on the existing American product, but are shorter and lighter; the factor of weight is important when dealing with ammunition supplies. This round was adopted after extensive trials last September, which were themselves the culmination of earlier tests following a standard laid down by Nato, setting out the desired characteristics of any new round. And although the process has been slow, it is hard to see how a better method could have been adopted, considering the number of countries involved and the conflicting interests of those which manufacture arms; right up to a late stage the British and Canadian experimental .28 round was still competing successfully with the American-backed new .30. Both the British EM-2 rifle and the Belgian FN .30 were originally designed for the smaller round, but both have since been adapted for the larger.

The fact that the great reserve of manufacturing capacity for small arms ammunition is in the United States and that the American Army has long used weapons of .30 calibre was certainly one of the main reasons why this size of round was eventually chosen as standard; though the Americans, like everyone else, will not be able to use the new cartridge in their present weapons without modification. But the question of the rifle itself is still open. And the one thing that the British decision to adopt the FN .30 makes certain is that standardisation of weapons, if it comes about, will not be done on the basis of any existing American pattern. As matters stand, several other Nato countries are keenly interested in the FN .30, but in the United States there is a division of opinion. Broadly speaking, the operational commands of the army tend to be for it, while the ordnance and the supply services are opposed to making any change from the existing M-1 Garand.

There is an American competitor to the FN .30, another recently developed, fully automatic lightweight rifle, the T-44. But like the British competitor of the

immediate postwar years, the EM-2, it is certainly not superior to the FN .30. On the whole, most technicians—and they are admittedly divided—regard both the American and British weapons as slightly inferior to the Belgian. All three have put up an excellent range performance, but the Belgian contains a simpler and, therefore, more rugged mechanism; soldiers who have used the FN .30 are almost unanimous in their enthusiasm for it. It uses 20-round magazines and enables the soldier to fire easily 30 or 40 well-aimed rounds a minute, compared with 10 or 15 from his present weapon. One decisive factor which ruled out the British EM-2 for the British army was a clear American view that the EM-2 would never prove acceptable to the forces of the United States; on the other hand, the Americans may yet adopt the FN .30. It is wrong, incidentally, to regard this weapon as purely Belgian. During the elaborate trials which have taken place in the past few years, many modifications have been made to it on British and Canadian suggestion, so that the result is to some extent due to a co-operative international effort.

There was a moment in 1951 when the War Office had almost decided to adopt its own new design of rifle. Now that the decision has gone in favour of the rival design, it would serve no purpose to procrastinate any longer; certainly the recent suggestion in the House of Commons that Sir Winston Churchill, under American

pressure, had accepted an inferior weapon firing an unnecessarily heavy round, was almost comically wide of the mark. Naturally it would be a great advantage to the North Atlantic alliance if its members could all use the same type of weapon, and it will be a great pity if the Americans, from whatever motive, end by rejecting the FN .30. But agreement on small arms ammunition already means a standardisation of chamber, barrel and ejector, and this means that by far the greater part of the problem is solved.

As to the FN .30, 5,000 are now to be supplied from the Belgian factory to British units in all parts of the world, including Malaya; later, they will, of course, be manufactured in this country. Experience in the field is still expected to suggest improvements; moreover, the FN .30, while already slightly cheaper to produce than its rivals, might become cheaper still if it could be made serviceable with a plastic rather than a wooden butt. Meanwhile, Britain, like America and other countries, will go on manufacturing ammunition for existing weapons, and these will continue in use until they can be replaced. But the best service that the British decision to adopt the FN .30 could render to the western cause would be to prove this new rifle in action, and so to hasten the day when it may be manufactured in bulk to meet the common demands of all the Nato forces. And that means receiving the blessing of the biggest arsenal of all, the United States.

Notes of the Week

Rumours of Retirement

THE speculation about Sir Winston Churchill's retirement is getting stuck in an emotional groove. Some Conservatives are not only exceedingly angry about recent discussion in the press of the merits or demerits of his remaining in office; they also regard it as an impertinence that anybody should ruminate in public about when he is likely to go, and about what would happen then. Some of their wrath has fallen on one of their own backbenchers, who suggested last weekend that Sir Winston (together with Lord Woolton and Sir Walter Monckton) was likely to retire soon after the Queen returns to this country. The unfortunate Mr Osborne was only guessing, and he seems to have been clumsy; but, by bringing his guess into the open, he was trying to perform for his constituents a service that the whole electorate needs. Sir Winston's retirement will be the most important political event in this country since the 1945 election and there is every need for full

discussion of what will follow. If Conservatives doubt this, they need think back no further than to the history of the Labour Government after Ernest Bevin left the Foreign Office. Some Labour MPs, like some Conservatives today, had thought it unseemly to discuss frankly the departure of an ailing man. They, too, had believed that when the time came everything would sort itself out. Now they know better.

Sir Winston, unlike his admirers, obviously does not feel hurt at the current speculation; on the contrary, he is enjoying it hugely. Unfortunately, he is not helping to direct discussion into the right channels by his preference for the oblique. He has made two contributions this week. The first was an ambiguous interjection—of the one word "delusion"—in the Commons when a Labour member said that the House will "no doubt now be receiving some authoritative enlightenment" about Mr Osborne's speech; in the context, this interjection could have meant several things. The second has been an announcement that he will address a Conservative women's rally on May 27. This has been taken as Sir Winston's hint that he still expects to be

Prime Minister on that day. But if he feels compelled to retire before then he is hardly likely to be deterred from fear of disappointing the Conservative women; in any case, the speech is scheduled for less than a fortnight after the Queen returns.

A Brisk Foursome

UP the sleeves of the four players round the Berlin table there may still be any number of cards. But the table itself is already carpeted with the knaves, kings, and lesser fry—no aces as yet—that were firmly planked down, face upwards, at the foreign ministers' first meetings. Frankness, and on the western side terseness, have been the order of the day. That is as it should be. The Berlin conference is not a cautious probing of the 'unknown contents of unfamiliar minds; it follows upon a marathon exchange of diplomatic Notes and other statements in which the basic attitudes of all parties have been made sufficiently clear.

The outspoken can, of course, verge on the naïve. It did so on Monday, when Mr Molotov declared that the creation of a European army would provoke the formation of a matching alliance in Eastern Europe. It is no secret that immediately after the war the Soviet government set about binding its satellites into a tight mesh of military alliances and centralised economic plans. These interlocking alliances—nearly a score of them in all—were concluded publicly and indeed with *panache*; and it is laughable to suggest at this late date that Eastern Europe is a military vacuum. There is a perfectly good East European Defence Community in existence with Marshal Rokossovsky sitting at its centre.

There was considerably more subtlety in Mr Molotov's statement on Wednesday, when he began to break down his broad concept of a five-power conference by citing specific questions, such as trade, that might be discussed at a meeting that included China. His press officer later extended this line of thought by pointing out that Indo-China could also be discussed at a five-power meeting. That was as far as the matter had got when *The Economist* went to press; but before the week is out, more will doubtless be heard of what seems at first sight a very ingenious attempt to get round the obvious objections to granting the Peking government a seat at the high table.

Divided Germans

THE comment of most West German newspapers on the opening moves in the Berlin conference has been disappointing. Mr Molotov was so anti-German in his speeches that Mr Dulles and Mr Eden stood out as the champions of German freedom and unity. For this relief German writers offer no thanks. To read their comment one would not think that only four months ago German voters voted in the great majority for Dr Adenauer's policy of working with the West to get German reunification on the best possible terms. Sceptical editors are writing for a bored public.

In the Federal Republic little is expected from the conference. To most of its people who are not refugees from the East, the uniting of Germany offers the prospect of yet another painful upheaval in their fortunes. The immense labour of constructing a new state out of the postwar chaos is not forgotten. To unite with an Eastern Germany which is as different from the West as Poland is different from Britain would need a comparable effort in reverse. In Berlin and the Soviet Zone feelings are different. Hopes and prayers are fixed on the foreign ministers. The disappointment will be bitter if they do not at least reunite Berlin.

High-Handedness at Suez

MR SELWYN LLOYD appeared to be under-rehearsed when he answered in the House on Monday questions about Egypt's interference with free use of the Suez Canal. For he failed to make it plain that the Egyptian government has been extending considerably what it unilaterally asserts to be its legal rights. On the grounds that it is still at war with Israel, it has hitherto acted on the basis that it is entitled in self defence to stop contraband of war destined for that country and to stop and search ships passing through the Canal for arms, fuels, and chemical substances usable for war purposes. By a new cabinet ruling that runs from November 30th last, the Neguib government now classes as contraband "foodstuffs and all other commodities which are likely to strengthen the war potential of the Zionists in Palestine in any way whatever." It has already victimised Greek, Italian and Norwegian vessels carrying meat and clothing, and seems to feel entitled to stop virtually any goods. Lawyers will find it difficult to distinguish between its new practice and the use of the Canal for blockade.

Owing to the loose wording of the Suez Canal Convention, they will have ample room for debate. This "perpetual" treaty, signed in 1888, says at one point that the Khedive may in time of war take such steps as are necessary for the defence of Egypt, at another that his steps shall place no obstacle in the way of free use (*usage*) of the Canal, and at a third that the Canal shall in no circumstances be used for purposes of blockade. The Israel government now points out that Egypt is violating not only this convention, but also a Security Council resolution of 1951 which ruled that the Israel-Egypt armistice was "of a permanent character" and that there were no justifiable grounds for claiming the right of search in self-defence.

Debate between these two countries is bound to be sterile; but what about the other states affected—the ship-owning nations of the world—which are being seriously inconvenienced? These, said Mr Selwyn Lloyd lamely, had perhaps better get together. But who does he think should take the initiative? If he himself is afraid of aggravating his troubles with Egypt over Canal defence or murdered soldiers, he might at least let other victims understand that if they start the ball rolling against Egypt they will get British backing. Norway, France, the United States, the Netherlands, Greece, Turkey and Italy are all affected. General Neguib cannot be allowed to get away with this defiance.

The Seven Shilling Standard

THE public corporations, which have the advantage of a sheltered home market, are doing their best to ensure that the size of this season's wage-award will be roughly seven shillings a week; or twopence an hour; or eighteen pounds a year. The pattern has been set by the Transport Commission, with a minimum offer of 7s. a week for the lowest-paid railwaymen, by the National Coal Board, with an offer of 7s. 6d. for the lowest-paid mineworkers, and by London Transport which is ready to pay London busmen an extra 7s. The effects of envy and example are already evident. Last week the Executive Committee of the National Union of Railwaymen was so impressed by the Coal Board's generosity that it sent Mr Campbell back to the Transport Commission with instructions to try to secure, for the lowest-paid railwaymen, the extra 6d. that the Board had given the miners. This week the representatives of the provincial busworkers let it be known, at the Ministry of Labour, that they would not accept less than the 7s. that London Transport was ready to give the busmen in London. Seven shillings, or thereabouts, is the price of industrial peace in the mines and on the railways—and only the worst-organised workers will accept much less, unless somebody is beaten in a strike.

The immediate test case for private industry is still the bizarre guerilla action conducted by the Electrical Trades Union. The union is asking for an increase of 3d. an hour in London and 2½d. elsewhere, but has said it would settle for 1½d. followed by the chance of more at the hands of an arbitration tribunal. There were signs this week—they may still be false signs—that the contractors may be preparing to make an offer that could be anywhere between 1½d. and 2d. an hour. If they do so, it will be surprising if the engineering employers, whose confidence has been shaken already by the Ford Company's decision to raise wages by more than 8s. a week, should fail to join the general upward movement. The effect that any such rise in costs would have on exports, and through them on employment, is dangerously uncertain. The Government can rightly claim that its successes in the past two years have been at least partly achieved by disinflation through public authorities' exertions; it is a sad commentary that some of the fruits of these may now be going to be lost by cost inflation through public industries' example.

Clean Sheet in Kenya

THE good name of the British army in Kenya has been cleared by the court of inquiry. The court was a military one and was sent out to Kenya because of the disquiet caused in this country by the unpleasant practices brought to light at the trial of Captain Griffiths. There will be general relief that so far as British units are concerned all fears of widespread Black-and-tannery have proved groundless; indeed the evidence brought before the court suggests that the British army is widely regarded by loyal Africans as their friend and protector.

The inquiry has revealed only two black spots, and both have to do with units of the King's African Rifles. Investigations are still in progress and comment would be

premature. But the fact that African units are concerned shows how unfortunate it was that the court's terms of reference did not allow it to investigate the conduct of security forces outside the strict army command. Emotions are always more likely to get out of hand among the emergency police and other units (such as the Kikuyu Home Guard), which are often hurriedly thrown together and officered by men without the traditions and discipline of the regular army.

Yet these units, simply because they have closer contact with the people, have it in their power to swing popular feeling away from the Mau Mau towards the forces of law and order. For this reason it is particularly desirable that there should be an investigation into the conduct of the para-military forces no less rigorous than that which has cleared the British army. There should also be some hard thinking about the present system of divided command, which allows the right hand—the regular army—no control over what the left hand may be doing.

How Not to Oppose

ON Wednesday, the Labour Party provided two more object lessons in how to make oneself look silly when presenting an arguable case. Perhaps its members were bored with the technicalities of bank notes, baking and boffins' rewards which had engaged the House's attention on the previous two days. Their first fit of exuberance was when they opposed the second reading of the Landlord and Tenant Bill, on the ground that it made no provision for leasehold enfranchisement; the principle of enfranchisement, as defined by Sir Frank Soskice, is that leaseholders "should be entitled, at a price to be fixed, to become the freehold owners of the houses in which they and their forebears have lived." The Government's reasonable compromise in this matter is that when a long lease comes to an end the leaseholder can stay on as a statutory tenant, protected by the Rent Restriction Acts. Like most compromises, especially those designed to clear up muddles arising from agreements that were entered into up to a century ago, this provides plenty of scope for intelligent argument about repair provisions, redevelopment, and the uncertainty caused by the presumed impermanence of statutory rent restriction; but Labour spokesmen submerged all this in fiery allegations of a "wicked ramp," of the landlords' submission of the "biggest wage claim in British history" and so forth. Why Socialists, of all people, should think it better to borrow capital than to pay rent, nobody explained. The Liberals, who are also attached to the principle of leasehold enfranchisement, voted with the opposition in the eventual division, which the Government won by 288 votes to 264; but they must have been made to feel that they were voting in queer company.

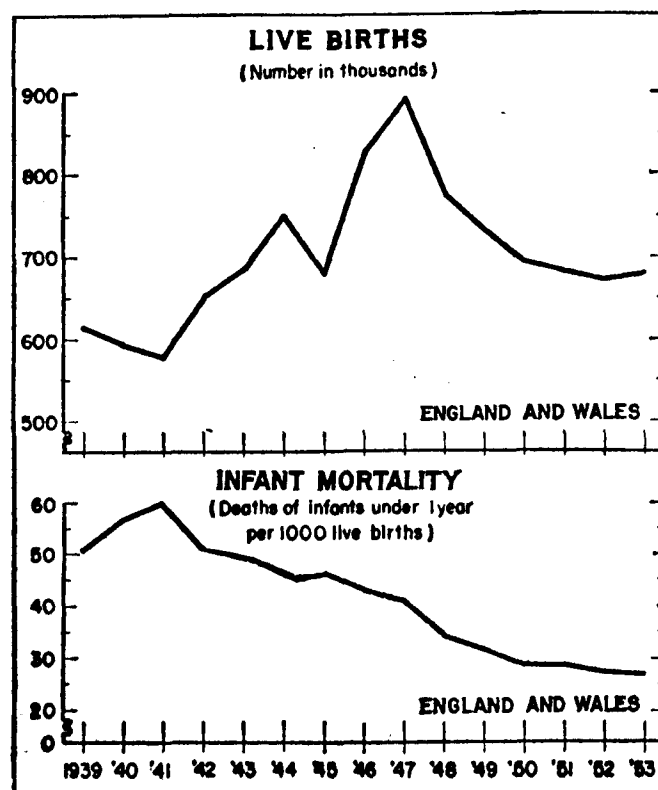
Immediately after this debate, Mr Hale moved for an address praying that the Aliens Order, 1953, should be annulled, in order to curb the Home Secretary's powers over aliens coming to or living in this country. This was backed up by a thesis, which was presumably meant to be funny, that "before long new Huguenots would be coming from the seaboard of America as refugees from McCarthyism"; but it was really based on quite genuine public doubts about the wisdom of the Home Secretary's recent refusal to allow foreign delegates to the conference

of "Teachers for Peace" to land in this country. When questioned about this last week, Sir David Maxwell Fyfe said that only seven Belgians, four Frenchmen and two Germans had been turned back; and he stated as an apparently immutable principle that he will not admit foreigners to attend meetings that are instruments of Communist propaganda, although individual Communists are (quite rightly) allowed to come here to talk private and unorganised nonsense. But was it really worth while to give so much publicity to an obscure conference and so much work to the unfortunate officers who had to shrimp for these people at the ports?

A Tweak from the Caudillo

GENERAL FRANCO'S protests against the forthcoming visit of the Queen to Gibraltar are a waste of time. On no question of foreign policy is it so easy for a British Government to get support from all sides as on this matter of the Rock. Not even Mr Bevan will be found expressing in the Madrid press his dislike for British imperialism.

It is not difficult to understand the General's motives. With large sums of dollars available for building bases, with American ministers speaking of all-out partnership, with the French worried in Morocco and the Arabs girding at the British—the time is felicitous for cutting a figure in the Mediterranean. He has watched carefully events in the Middle East and has doubtless judged that this is a good moment to take his turn at twisting the lion's tail. The lion, it is true, has doubts on some matters and his left and right legs sometimes show a lack of muscular co-ordination which enables a skilled lion-tamer to turn him over on his back. But there are no doubts on the issue of



Gibraltar and General Franco has achieved nothing more than a timid tweak.

He has already hurt himself in the process. The students of Madrid were ordered by one voice of authority to demonstrate in the streets in their thousands, only to find that another voice had told police and guards to break them up. Their patience, too, must be exhausted.

Soviet General—Retired

SOVIET generals who are bowler-hatted do not normally indulge in arm-chair strategy. Last week, however, the official daily newspaper *Izvestia* published a long article on the shape of a future war signed "a retired general." Since a bourgeois Blimp could not easily find favour with the editors of *Izvestia*, these anonymous views on future strategy must be regarded as an expression of Soviet ways of thinking.

The article starts with the familiar attack on "American apologists of a policy of strength" which, if followed consistently, must lead to war. The outcome of such a struggle, writes the general, is far from certain, for the war would be carried to the American continent. Postwar developments in "aviation, jet weapons, and submarines" have shown that the Atlantic Ocean would provide in future no more protection than the English Channel did in the war against Hitler. It is not, however, concluded that atomic developments will make it possible to dispense with land forces. The general does not believe in a push-button, long-distance struggle, and is scornful of all the "peripheral," "global," "transoceanic" or "intercontinental strategies." War, in his opinion, cannot be waged without mass land armies, and the "United States, despite their economic resources, cannot wage it alone." He therefore describes EDC and all other regional plans as American attempts to mobilise all the necessary cannon-fodder.

It is significant that Moscow should argue in these terms when the idea of withdrawing from overseas and covering allies by the threat of devastating atomic retaliation is gaining ground in the United States. Perhaps Soviet generals are battling as sturdily for large armies as American admirals for large battleships. Or perhaps Soviet and American strategic thinking—and imagining—are so far apart that neither government can really appreciate the military motives of the other. If American ideas develop further on present lines, the time may come when a United States government will be considering the very decision that the Russians have been clamouring for since 1948—the withdrawal of American troops from the mainland of Europe and Asia. It is to be hoped that it will exact some price from the Russians beforehand.

Malayan Wages Fall

MALAYA, like Britain, is having its wages troubles. This week's award by Mr Justice Taylor on the wages of rubber plantation workers, however, unlike anything that could happen in Britain, marks an official reduction in the

basic rates; the daily rate of field workers is to go down from \$2.10 (Malayan) to \$1.95, for checkroll tappers from \$2.50 to \$2.25, and for contract tappers from \$2.80 to \$2.25. These are large reductions and they come at a moment of recession rather than of prosperity. The reason for the award is that plantation wages are fixed by agreement between the employers and the trade unions, on a sliding scale which moves according to both the price of rubber and the cost of living index. And rubber had lately fallen below even the bottom of the previously agreed scale.

It is one thing to arrange that wages should fall in certain circumstances and another to see that they really do. In Malaya there has long been a tradition of variable wage rates; the price of rubber is notoriously volatile and boom can give way to slump very quickly. Moreover, in periods of depression it is financially impossible for the less efficient estates to maintain large numbers of workers on their pay-rolls. But the fact remains that big reductions in both wages and the volume of employment are extremely unpalatable, as much to the individuals affected as to the general economy of the country in which they live. It is not, therefore, surprising that the Malayan rubber workers' unions are to hold a poll of their members to decide whether they will accept the recent award. The result should be known about the middle of February.

Whichever way the verdict goes and whatever its consequences, this is a situation which should drive home once again—and this time in specific terms—the lesson that it is dangerous to divorce economics from politics. Tremendous efforts have been made to beat Communist terrorism in Malaya, and their relative success is compelling the Communists to adopt more subtle political tactics. The depression created by the fall in rubber and tin prices provides them with a situation which they may yet be able to exploit much more effectively than they have done so far. Is it still impossible for the Americans, in spite of their well-understood desire to retain a large synthetic rubber industry for reasons of defence, to give more weight to the political consequences in South East Asia of a reduced demand for natural rubber?

Butter Prepares for Battle

AFTER May 8th the battle of butter against margarine will begin in earnest, untrammelled by rations and restrictions. The new branded margarine, probably selling at about 1s. 10d., will be a formidable opponent; but that very fact will keep butter cheap. The butter price may rise fairly sharply at first as the subsidy comes off and everyone indulges the new freedom to buy. It will not be surprising, however, if it eventually settles down, even without the subsidy, at 3s. 3d. or 3s. 6d. per lb, compared with the present subsidised price of 3s. 4d. The producers are determined to scotch the idea now creeping about the world that butter is a luxury; they are alarmed at what has happened in the United States, Germany, and more recently, Belgium, where high-grade margarine has gone far towards displacing butter from many working-class and middle-class tables.

The derationing of butter, fats and cheese will leave only

meat on the ration, and that ration will be inoperative again in four or five weeks' time when mutton starts pouring in from New Zealand. It may be officially discontinued soon after. The summer months will therefore see the axe laid to the local offices of the Ministry of Food, but there will not be a reduction of staff in Whitehall, where much new work is bound to be created by the deficiency payments scheme.

The farmers are likely to urge that the work that remains should be brought under the umbrella of the Ministry of Agriculture. That, however, would be a great mistake. A Minister of Agriculture inevitably tends to see things from the producers' point of view; otherwise he does not remain a Minister for long. So long as the nation is paying £250 million or more in agricultural subsidies, it is essential that there should be a Minister of Food to speak for the consumer.

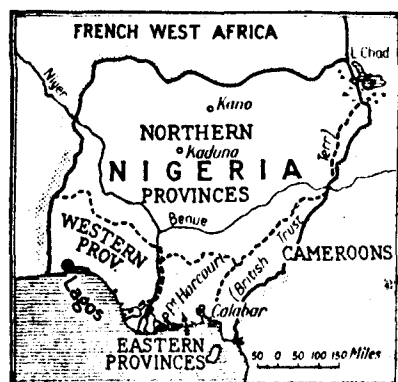
Farmers' Lament

THE resolutions passed by the National Farmers' Union at its annual general meeting this week strove hard to give the impression that agriculture is facing hard times and is in danger of being abandoned by an ungrateful Government. One resolution deplored the failure to hold a special price review after the recent wage award, and made the usual request for prices that will give farmers "a fair profit"—the implication being that present prices fail to do this. Another resolution singled out egg prices as "completely unrealistic" and demanded that they should be fixed at an "economic level." Since the Ministry of Food is at present losing over £1 million a week in subsidising the sale of home-grown eggs at a price which consumers will pay, this resolution seems very sensible—until it is realised that the farmers have a higher and not a lower price in mind. The Government was also rebuked for not providing more definite schemes for agricultural marketing, although it has in fact conceded the principle of producers' marketing boards for several important commodities.

The union's annual meeting is an opportunity for farmers to put forward their maximum demands in preparation for the price negotiations with the Government, which are about to begin and which this year will be especially crucial. Attitudes struck on this occasion must therefore be taken with more than a pinch of salt. A deeper significance, however, needs to be attached to the resolution that called for renewed restrictions upon imports of agricultural produce. This resolution reflects the farmers' genuine fear that Government guarantees to agriculture will not be continued on their present generous basis once their cost to the taxpayer has been made clear. If imports were to be closely regulated, retail prices would inevitably rise to a point where the cost to the Exchequer of subsidising each unit of home-grown food would be less than at present. But this would mean that British consumers would be denied most of the benefits of falling world prices and increasing world surpluses, in order to keep up the prices of home-grown food. Sir James Turner offered the nice slogan of "ordered abundance" as a euphemism for this policy of planned scarcity.

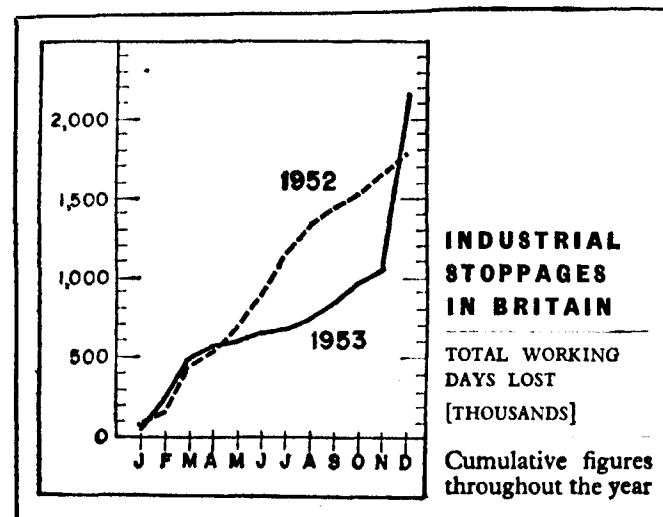
Calm at Lagos

THE meetings of the resumed Nigerian constitutional conference are being held in private. Nevertheless, if anything dramatic had occurred, it would soon have become widely known, and the absence of reports of a walk-out by any of the delegates gives ground for hope that so far the conference is making good progress. Two things only may foreshadow a future clash. First, Mr Awolowo, the leader of the Action Group, refused to take part in the welcome to Mr Lyttelton on the first day of the conference—presumably to mark his continued displeasure with the Lagos award; secondly, Dr Azikiwe, Nigeria's most prominent nationalist, this time attends the conference as leader of government in the eastern region (where his party recently won an overwhelming victory in the regional elections), and therefore as a delegate with the same status as Mr Awolowo.



Another feature of the recent elections in the east was that Dr Endeley's Kamerun National Congress won all of the thirteen seats allocated to the Cameroons. At the London conference in August, Dr Endeley put forward a claim for separate status for the Southern Cameroons, which at present form part of the eastern region. The delegates from the Northern Cameroons wished their territory to remain part of the northern region. Mr Lyttelton agreed in principle to both these requests, provided that Dr Endeley's demand for separate status was endorsed at the regional elections—as it has been. A new constitution for the Southern Cameroons has accordingly been put before the conference at Lagos.

Briefly, this constitution would give the territory its own legislature and executive council. But the territory would not rank as a separate region because it is too small to stand on its own financially. Instead, it would be "quasi-



federal territory," and would have to be given financial help by the federal government, which, for its part, could demand guarantees of sound administration. The territory would be represented in the federal House of Representatives by six members and, as at present, it would have one minister in the central Council of Ministers. The proposals should offer an acceptable scheme for keeping the Cameroons within the Nigerian Federation, while acceding to the wish of its people, who are Bantu, not to be dominated by another African people—the Ibos of the eastern region. The compromise is one more illustration of the difficulties, referred to in an article on page 302, of making nations out of a motley of tribes.

Foreign Office Nightcap

FOR twenty-eight minutes last Thursday the House of Commons, on a motion for the adjournment, discussed the idea of an Atlantic Assembly which would bring American, Canadian, European and British parliamentarians together to consider their common problems. That is to say, Mr de Freitas offered a warm and carefully arranged dish on which Mr Nutting, Joint Under-Secretary of State, poured cold water. The result in Hansard is a soggy mess.

The Foreign Office argument appears to be of a niggling, caught-you-out-there kind. The Council of Europe, said Mr Nutting, is better than most people admit; it could not live in the shadow of an Atlantic Council; therefore there should be no Atlantic Council. This enthusiasm for the Council of Europe is something new and appears to be a serious rival to the enthusiasm for a more fully developed Atlantic association that Mr Eden has recently expressed. If so, there seems to be some lack of realism among Mr Nutting's advisers. If the European Defence, Political and Coal-Steel Communities come to anything, they will produce a tight political association of six nations which will certainly leave little for the Council of Europe to do. Britain is then liable to find itself in the predicament of a solitary dancer who has got left out of a Paul Jones. Quite apart from that prospect, it is strange that British policy has no ideas for tightening the links between Europe and North America. The future of the North Atlantic Treaty Organisation needs far deeper and bolder thought than ministers have yet given it. Mr de Freitas should not be discouraged.

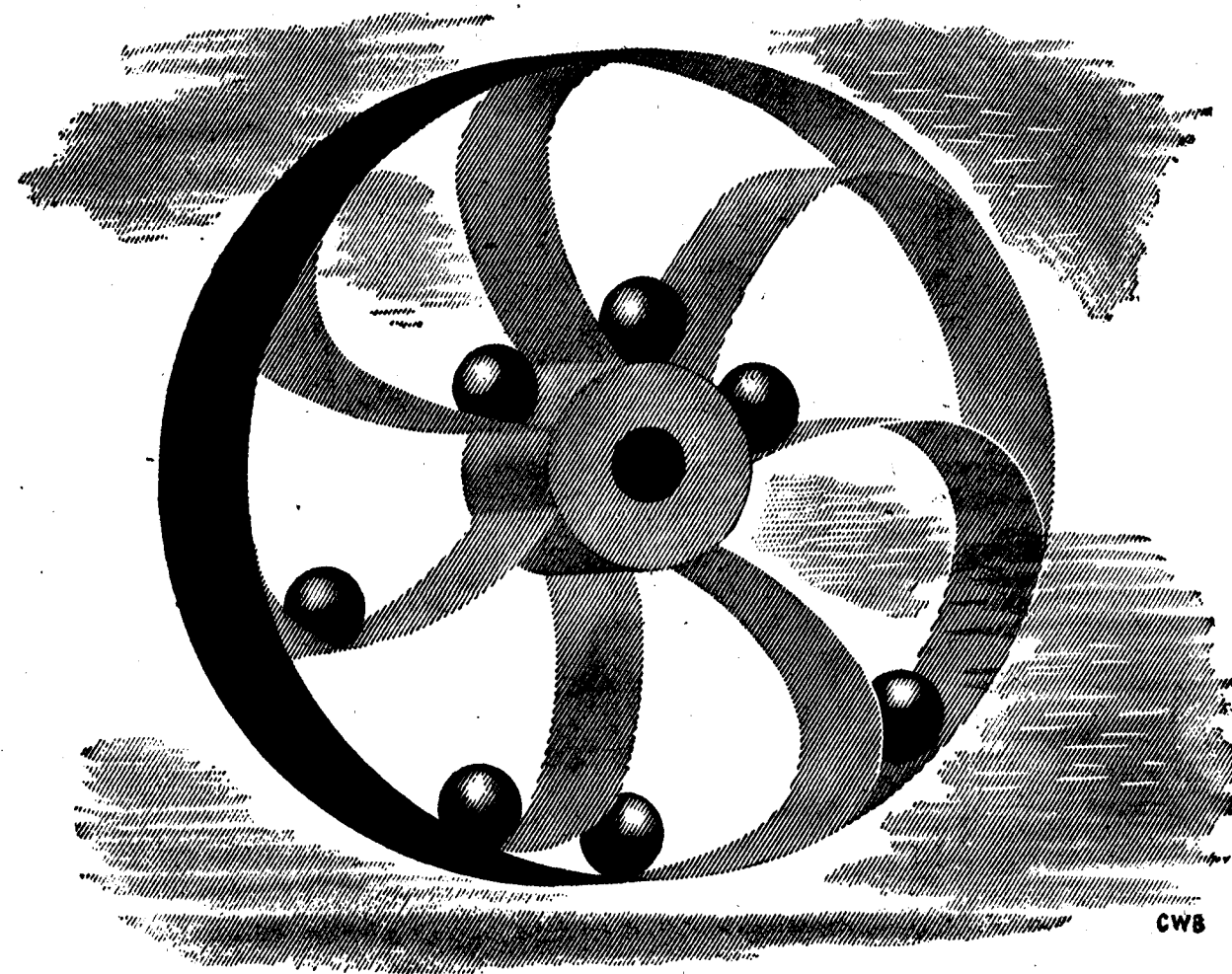
Substitute for Development Councils

THE development councils set up in many British industries as a result of the Industrial Organisation and Development Act of 1947 have neither fulfilled the hopes of Sir Stafford Cripps and his colleagues that they would serve as powerful engines of modernisation, nor justified the fears of business men that they would prove the thin end of the wedge of public control. The new Industrial Organisation and Development Bill, introduced this week, does not affect these councils in any way; it merely strengthens the powers of substitutes for them. The portion of the 1947 Act to which it is relevant is section 9, under which industries without a development council

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could be required by the Board of Trade, or other appropriate body, to pay a levy for three specified purposes: the promotion of scientific research, the promotion of export trade, and the improvement of design.

The present Bill extends that minimum by adding to the three purposes listed in section 9 the other functions assigned to the development councils themselves; these include consumer and managerial research, training, the improvement of costing and accounting practice, standardisation, statistical records and publicity. The Bill thus represents, from one aspect, a considerable and potentially beneficial strengthening of the original Act and a recognition by the Conservative Government of its usefulness. From another aspect it appears as a retreat from the idea of the development council; the greater the success of the alternative procedure, the less the need and the incentive for industry to reconsider its dislike of Sir Stafford Cripps's brainchild.

From a third point of view, however, there is some reason to distrust the new Bill. The 1947 Act allows development councils—and thus, under the Bill, makes a proper subject for a compulsory levy—the function of “promoting arrangements for . . . co-ordinating production, and for marketing and distributing products.” This could lend support to an outburst of cartelmongering in the worst Tory tradition. The development councils are statutorily provided with an independent chairman and a minority of independent members as well as an equal representation of workers in the industry. Under the alternative procedure there is no such safeguard for the public interest. Everything depends on the “authority named” (Board of Trade or other) and on the body to which that authority entrusts the funds raised by statutory levy. The matter may be cleared up in debate. It certainly needs watching.

Developing Guiana

COMMUNISM, it is often maintained, so far from being caused by poverty, only becomes a real menace in countries that are slowly lifting themselves out of the trough. British Guiana may be a case in point. Political unrest found expression at the very moment when most was being done to improve its economic lot. The International Bank's recently published report* on the colony shows that although the population has been increasing at the tremendous rate of 3 per cent a year (largely because the country has been cleared of malaria-carrying mosquitoes) prosperity has more than kept pace. Real national income has recently been increasing by just under 5 per cent a year, and income per head by 2 per cent a year.

If the five-year development programme outlined in the report goes through, there is every chance that material progress will continue, and even be speeded up. But this can only be done by a big expansion in the colony's production, and exports, of rice and sugar. The mission recommends that development should largely be concentrated on these two staple crops grown along the coastal strip. Drainage, communications and research into

* The Economic Development of British Guiana. Report of a mission organised by the International Bank for Reconstruction and Development. The Johns Hopkins Press (London: Geoffrey Cumberlege). Pages 385. 5s or 48s.

improved cropping methods are the first priorities; hopes of tapping the colony's inland wealth and of expanding light industries must wait. Relatively less should be spent on social welfare and more on productive investment.

This is not a popular programme, and it could easily be wrecked if the government in power was one that ignored the fundamentals on which the colony's prosperity depends—the protected market for West Indian sugar given by Britain and the fostering of a favourable climate for foreign investment. Presumably the problems raised by the report have been discussed by the Governor, Sir Alfred Savage, on his recent visit to London. The only way to keep the colony on the political highroad is for local non-Communist politicians to capture the popular imagination. At present the United Democratic Party has no field organisation to compare with that of the still entrenched People's Progressive Party, and seems to lack purpose and confidence. It will not succeed until it can show that it is both united and democratic and a party.

Coaches in Confusion

WHEN is a bus-load of people a “private party” going out for a “special occasion”? Lawyers have been asking this riddle for over twenty years, and it would seem from a parliamentary answer given by the Minister of Transport last week that it is still causing headaches in his Ministry.

The riddle arises from the provisions of the Road Traffic Act of 1930 about the licensing of road passenger services. Buses and coaches on regular services have to be licensed, and so, too, do coaches running excursions; but coaches that have been chartered (defined as “contract carriages”) do not need a licence, provided that they are carrying a private party on a special occasion. But there was soon a legal debate about what was a special occasion. Special to the trippers—their annual picnic? Or special to the destination—Blackpool Illuminations? Originally, most people thought it meant the former, but in 1933 the High Court declared for the latter interpretation. In the 1934 Act Parliament tried again to define what it wanted. This led to new absurdities, and meanwhile a black market in unlicensed public transport was appearing. In 1951 another High Court decision confirmed the narrow interpretation of a special occasion, by ruling that a bus which carried people from a holiday camp to the station was in need of a licence.

It was one of the main tasks of the Thesiger committee, whose report* was published early in December, to suggest ways of clearing up this legal confusion. It proposed to get out of the difficulty by doing away with the exemption. It would continue to exempt cars, seating eight people or less, but would introduce a simple licence for public service vehicles. The Minister of Transport, however, understandably does not want to impose a new control in a field where there are already far too many controls anyway. Mr Lennox Boyd's answer in Parliament last week suggests that the Government would prefer to seek agreement once again on what is a special occasion. This time it will need to get the definition right.

* The Licensing of Road Passenger Services. HMSO. 3s. 6d.

Letters to the Editor

Debate on Death Duties

SIR—Your article of January 9th fails to mention one point of great importance. In carrying out the provisions of the 1940 Finance Act, the Estate Duty Office treats as a single person persons who are related to one another, persons who are in partnership and persons interested in any shares which are the subject of a trust. And "relative" means husband, wife, ancestor, lineal descendant, brother or sister.

In one private limited company I own one-tenth of the ordinary shares, and the company is controlled by considerably more than five persons, but according to Sections 46 and 55 read together, these are in fact treated for estate duty purposes as one person. Many think, myself among them, that that is the most harsh application of all. It was clearly only intended to deal with family estates formed into a company to avoid death duties, yet it has been made to apply to all estates of partners in businesses of considerable size where a private limited company is formed. Because of this, former partners, related or unrelated, sometimes even antagonistic, are treated as one person for the purposes of the Act.—Yours faithfully,

ALPHA BETA

Crisis Over Port

SIR—Your correspondent finished his article of December 30th on an unnecessarily pessimistic note. On the subject of import duty, he says: "But it would take more than any reduction . . . to restore port-drinking to its former position in a Britain that has lost the habit."

Because of the import duty, Britain may have lost the habit of drinking port: it has certainly not lost the taste. In a survey on alcoholic drinks carried out in 1949, 56 per cent of those interviewed said they liked port, a figure second only to that given for beer. In the same survey, to the question: "If wine prices were reduced, which wines would people drink more?", the highest percentage, 52 per cent replied: "Port."

None of us in the trade hopes for a reduction of import duty from 50s. a gallon or 8s. 4d. per bottle to the prewar level of 1s. 4d. a bottle. We would, however, like to see the traditional balance of 1 to 2 restored between import duties on light and heavy wines. The duty on light wines was reduced by Sir Stafford Cripps during his term of office as Chancellor of the Exchequer to 13s. a gallon, or 2s. 2d. per bottle. The Exchequer has been more than compensated for this wise move.

It is not too much to hope, surely, that

in view of the figures I have quoted port would have at least a large proportion of the success that has been achieved by light table wines since the reduction of their import duty.

In "Notes of the Week" you point out that the port advertising campaign has borne some fruit. This was done on a very modest budget. If a stimulus of this nature can produce such results, how much more effective would be the direct appeal of a price-cut.—Yours faithfully,

R. W. GODSON

Port Wine Trade Association, E.C.3

Made in Sheffield

SIR—It is much to be regretted that your Special Correspondent, writing in your issue of January 16th, should have made a statement concerning Sheffield's civic pride which is so grossly inaccurate as to be quite inexcusable. He writes, "Its Corporation have not even managed to make a worthy collection of Old Sheffield Plate."

In fact, Sheffield Corporation possesses the largest and finest collection of Old Sheffield Plate in the world. This collection is housed and displayed in the City Museum, a modern building of considerable distinction, which, like its contents, seems to have escaped your correspondent's notice. In 1943 Sheffield Corporation purchased the world-famous collection of Old Sheffield Plate made over a period of some 50 years by Mr Frederick Bradbury, author of "History of Old Sheffield Plate" and the greatest authority on the subject. The collection now owned by the Corporation and displayed at the City Museum comprises about 1,200 specimens, and attracts collectors, dealers, designers and students from all parts of the globe.—Yours faithfully,

H. RAYMOND SINGLETON

Director

Sheffield City Museum

Services Not Servants

SIR—I was first amused and then somewhat disturbed by an article in *The Economist* of October 31st. It implied that services and goods available in New York City or one or two other of the larger cities are available generally throughout the country. There are places that not only do not have the heated towel rails in those shiny bathrooms, but do not even have the bathroom.

May I give you a few facts on some of the services described in the article as they pertain to our small community?

Lest anyone think we are in the backwoods, we are only 75 miles from New York City and 30 miles from Philadelphia. For heating, those people who do not use anthracite use oil. It is true that these oil burners do operate practically automatically. They also get out of order, usually on the coldest day in the winter. It is true that the various companies supplying the oil also have a service guarantee policy for an annual fee, but the idea that they will send a repairman night or day leaves me without words. We have such a policy, but to get a plumber over when we need him we just about have to throw a cocktail party in his honour, and then likely as not he will complain about the *hors d'œuvre* and run off without even looking at the heater.

It may shock your special correspondent, but in our community I know of no place where you can put a coin in the slot and have a large block of ice or a bag of ice cubes clatter out. I know of no one in our neighbourhood who provides television meals—ugh!—or offers home delivery of meals at any price. I know of no drug store where you can get a whiff of oxygen for 25 cents to cure a hangover, although if you or your correspondent can assure me that this gadget really works I am going to have one installed in our house. Finally, I know a number of people who should attend charm schools, but, unfortunately, I do not know of any schools that I might recommend to them. I am not sure what class I am in, but whatever it is I haven't the faintest idea where I could go to get a lecture on how to go up or down.

Seriously, I do think it is a great mistake to give the impression that everything is so easy over here that our bodies are atrophied completely, except for our fingers which get a great deal of experience pushing buttons.—Yours faithfully,

J. O. J. SHELLINGER

Ambler, Pa.

Wages Cauldron

SIR—In your survey of industrial relations in the issue of January 9th you state that the Electrical Power Engineers' Association has set up an Action Committee to improve the status and salaries of "technicians" in electricity supply. In the ordinary way one would not bother to quarrel with the loose use of the term "technician" to describe technical staff men, but it is as well to point out on this occasion that the ranks of the EPEA are, in fact, made up of professional engineers and technologists. It is because we believe that the position of the qualified technologist in electricity supply has worsened recently in relation to the clerical, accountancy and secretarial grades, and to some sections of the manual workers, that we have embarked on our present campaign for a readjustment.—Yours faithfully,

A. M. F. PALMER

Electrical Power Engineers' Association
London, S.W.1

Books & Publications

Retreat to Dunkirk

THE WAR IN FRANCE AND FLANDERS, 1939-40.
By Major L. F. Ellis.
Her Majesty's Stationery Office. 425 pages.
7s. 6d.

WHAT is the lesson of this clear and judicious chronicle of six weeks' fighting? Was it the most dismal or the finest hour? How is the fact that it covers so many politicians with shame to be balanced against the fact that it is as full of gallant feats of arms as any volume of Fortescue? To glory in the magnificent stubbornness of the retreat during May, 1940, and in the audacious efficiency that brought nearly 600,000 men back to Britain is to obscure the lessons to which Major Ellis quietly points.

The lessons are relevant at this very moment: the dangers of holding a long thin line against concentrations of armour which have the initiative; the fault of sticking to so-called strategic bombing when the army needs every ounce of air force co-operation; the uselessness—in the long run—of throwing half-trained and under-equipped reserves into battle against seasoned troops; the risks of allowing to a national commander, who is under the orders of another national commander in an allied army, the right of appeal to his own government. Those who have to weigh these matters in Supreme Allied Headquarters and in Whitehall should read this volume's account of how two territorial divisions faced between Scarpe and Somme seven German armoured divisions on a thirty mile front. They had been on construction work, were half-trained, were not equipped as fighting divisions, had no artillery and lacked adequate transport, signals organisation and administrative units. Each division was at half strength, and the 23rd division fought with 13 guns from a Royal Artillery instruction school, of which 11 could be fired only over open sights. Such facts are more easily forgotten nowadays than the superb performance of the regular battalions. Likewise the futility and muddle that marked the heroic defence of Calais are less comfortable to ministerial memories than the brilliance and technical superiority of the British fighters over Dunkirk.

The indictment to be drawn is, of course, incomplete. There are two volumes in this series to come, on the "Grand Strategy" that created a last-minute commitment on the Continent and allowed a weak French army to provide the hinge on which the BEF

swung into Belgium. (The original plan of the Conservative cabinet was to have a token force of only two divisions in France and to fight the war mainly in the air and at sea.) And there are two volumes to come—they are bound to be controversial—on the war at sea and the strategic air offensive. But what is important to remember is the very narrow squeak of 1940, the jeopardising of an inadequately supported regular army and the way in which calculations about how the war would go were upset. After all, the Belgians, British and French had 134 divisions against the German 136; but Holland was overrun in five days, Belgium in 18, and France in 46.

The materials for a provisional judgment are well set out in this volume, which is much more readable and succinct than it looks. It is clearly and elaborately mapped; there is a thorough analysis of the British forces engaged; an appendix gives in German relevant quotations from enemy documents on the campaign; a supplement examines the German conduct of the operations; and the author passes, in a special chapter, modest but penetrating judgments on the British conduct of the campaign. Here he shows no recrimination and marked fairness. Perhaps he is too kind to Lord Gort and a little too unkind to Weygand; but he shows full understanding of the difficulties of the RAF in a role for which they had not been trained. He is generally satisfied with the equipment of the BEF, which is surprising, but criticises the lack of armour, the bad wireless equipment, the inadequate intelligence organisation and the lack of air reconnaissance. Here is his final verdict:

So small an army as the British Expeditionary Force could not, however, have done more than it did had it been perfectly equipped. Its front was never broken. It fulfilled the task laid on it by the French High Command. It stood in the path of Bock's advance (in the north). So long as it was fully engaged in doing this it could not also do something else; the closing of the breach in the French front to the south had to be done, if at all, by the French. It was only when it had become clear that the French could take no effective steps to close the breach and the Belgian defence was on the point of collapse that the British Government ordered withdrawal to the coast for evacuation.

In other words the Weygand counter-attack plan was never possible, and Lord Gort showed good judgment in foreseeing the need to withdraw to the coast—better judgment than was some-

times shown by those in London who sent him advice and orders, which now read a little like Hitler's orders in 1944-45.

Deeply interesting and quite decisive is Major Ellis's demolition of the notion that Hitler, for political reasons, deliberately spared the British forces around Dunkirk. On May 23rd Rundstedt had five armies dangerously spread; his ten armoured divisions were scattered and had suffered heavy losses. He wanted to turn south against the French in compact and orderly fashion so as to make sure of the Atlantic ports. He was not interested in being the anvil below Dunkirk while Bock brought the hammer blow from the north. It is clear from the German documents that Brauchitsch, the Commander-in-Chief, his Chief-of-Staff Halder, and the two Army Group Commanders disagreed about what should be done. Moreover, neither Guderian nor Kleist believed that tanks should attack in the difficult Dunkirk terrain. If the British Army was spared to fight again "it was a failure of the professional soldiers and the Army High Command." Hitler, be it noted, supported Rundstedt in his decision to pause and regroup. So much for a mischievous postwar German legend. Major Ellis, in this as in most other respects, has done a balanced and thorough job in lucid, sometimes graphic, English.

Historical Evidence

ENGLISH HISTORICAL DOCUMENTS. VOL. VIII, 1660-1714.
Edited by Andrew Browning.
Eyre and Spottiswoode. 966 pages. 80s.

THIS is the second massive volume to be published of an ambitious series designed by its general editor, Professor David Douglas, to make the basic material for English history "extensively available in bulk to a wide public." Twelve volumes are projected, each comprising about a thousand pages and costing £4. Editorial comment is concerned only with making the documents intelligible and not with drawing conclusions, for the aim of the series is to enable the public to check, by reference to the original evidence, "tendentious or partial" interpretations of the past. But it is arguable that the public is more likely to be protected against misinterpretation of the past by free discussion among historians than by the publication of selected sources on this scale. The volume of original evidence for the more recent periods is so great that it is difficult to see how any selection, even with half a million words at the disposal of each editor, can be as authoritative and comprehensive as is claimed. Any selection is necessarily partial and individual; and historians are always asking new questions and exploiting new sources.

Professor Browning's selection of documents for this volume is varied and lively, illustrating constitutional and ecclesiastical issues, methods of public finance, social life and foreign policy,

concluding pleasantly with contemporary character sketches of the leading personalities. Yet, wide as this selection is, it cannot do all that the general editor of the series has claimed. It is difficult, for example, to see how a reader could use this volume to check the sympathetic study of the Tory party by Professor Feiling, whose account depends largely on sources untapped by Professor Browning. The editor's special knowledge of the reign of Charles II has enabled him to include some highly interesting material illustrating parliamentary management by Arlington and Danby. But politics in the reigns of William III and Anne, when the use of influence was such a controversial issue, receive more cursory treatment.

During the latter part of this period England was engaged in the biggest continental campaigns since the Hundred Years' War; but this selection throws little light upon the political and social effects of financing the struggle. "The heavy burden of the late long and expensive war," ran an act of 13 Anne, "hath been chiefly borne by the owners of the land of this kingdom, by reason whereof they have been necessitated to contract very large debts." Writers such as Davenant and Swift betray very clearly the resulting political fissures, yet their comments are not included by Professor Browning. Mercantilist pamphlets, which helped to inflame public opinion against France, are omitted, while the European trades, important in themselves and for their influence upon Anglo-French rivalry, are neglected. Again, it

The Commonwealth and the Sterling Area

73rd STATISTICAL ABSTRACT 1949-1952

This Abstract has always held a unique position among contemporary statistical publications, in that it bridges the gap between national and international publications and enables the trade of the individual countries of the Commonwealth to be brought together and viewed as a whole. The expansion of summary information in the present volume adds considerably to its value to all interested in the economic development of the Commonwealth as revealed by trade statistics.

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is surprising to find only twelve pages of desultory observations in the section on science, education, scepticism and superstition, and startling to discover virtually nothing from the writings of the Marquis of Halifax. Nevertheless Professor Browning has brought together a great deal of material for which any student of this period will be grateful. The bibliographies are admirably thorough and intelligently set out, though the index is inadequate.

An Atomic Steward

REPORT ON THE ATOM.

By Gordon Dean.

Eyre and Spottiswoode. 288 pages. 16s.

FOR three years, from 1950 to 1953, Mr Gordon Dean was chairman of the United States Atomic Energy Commission, during one of the less controversial periods in its history. He is a sensitive and compassionate man, as well as a competent administrator, and this book is, probably unconsciously, a record of the effect of close contact with this gargantuan and awe-inspiring enterprise upon a temperament such as his. So few non-scientific men have been in the privileged position of attending the inner councils of the atom that this half-personal, half-documentary report is the first accurate description of the growth, planning and running of such an organisation as seen through their eyes. Scientists take care of the technicalities; but the task of supervising the translation of their atomic formulae into steel and concrete, into teams of men and women, and expressing the whole in dollar notation, the task of keeping the correct balance between soaring scientific ambition and the country's other needs, rests on the scientists' colleagues and ultimately on the chairman. Throughout his description of this fantastic dream-world, certain major problems of policy recur, problems to which Mr Dean puts forward his own solutions, distilled from his experiences.

Mr Dean conveys much of his wonder at the monstrous size and speed with which the new industry developed. When present schemes are completed, a total of \$9,000 million will have been invested in less than a decade in the plants needed to transmute crude uranium ore into complete atomic weapons. This "well exceeds the combined capital investment of General Motors, US Steel, du Pont, Bethlehem Steel, Alcoa and Goodyear," the giants of American industry, but it represents the minimum investment compatible with the country's security. Mr Dean believes, as do many in this country, that a substantial stockpile of atomic weapons is the only possible insurance against the prospect of a war of extermination too horrible to contemplate. The deterrent powers of atomic retaliation are debatable, but, in a thoughtful chapter on atomic weapons, Mr Dean asks whether the United States has not been manoeuvred into an attitude of reasoning where

it becomes less of a crime wantonly to invade your neighbour, burn his cities

and murder his women and children than it does to use an atom bomb in your own defence... working ourselves into a position where the most important single ingredient in our defence arsenal was tucked away where it couldn't be taken out, except under the most extreme conditions, without a good deal of soul-searching at home and a loss in our reputation for morality abroad. No one appreciated this situation more than the Russians. By means of it, they were given a much greater freedom of action in the postwar world than they would otherwise have enjoyed.

A stricture like this, when it comes from so fundamentally reasonable a man, cannot be brushed aside as another manifestation of American atomic jingoism. Mr Dean, unlike most advocates of atomic sabre-rattling, knows what he is writing about.

For the same reason, his misgivings about the administration of the American atom enterprise deserve to be read with care. Mr Dean is far from happy at the creakings of the Atomic Energy Commission's administrative machine. Cost estimates go inexcusably wide of the mark. Terms offered to companies that undertake development, construction and operation of the plants as the commission's agents are unsatisfactory and are accepted only through mixed motives of patriotism and an urge to get in on the ground floor. Tussles with Congress over the commission's annual budget, when it has already had to commit itself to expenditure for several years in advance, is only another instance of how the lusty infant in Mr Dean's care kept bursting out of the swaddling clothes wrapped round it by a doting Administration and an awestruck Congress. He is convinced that the sooner private industry is allowed to take over responsibility for development, especially now that the world stands on the threshold of atomic power, the better both for the atom industry and the American taxpayer who foots its mammoth bills.

On the question of secrecy, Mr Dean has an admirable sense of perspective that enables him to see the atom in its correct proportions. He drives home with considerable force the argument that the atom is not "Made in USA" and its appearance in Russia is not due to treachery alone. Secrecy has not prevented atomic progress elsewhere. Other countries, using scientific knowledge open to all, are rapidly catching up on American developments, without any help from American know-how. There is a world of difference between a reasonable exchange of information between friendly rivals, and the barring of doors to all comers, and Mr Dean realises that both industry and science are certain to lose their vitality in an atmosphere of stifled secrecy.

Britain is now at the point reached by the United States in 1947 when the military authorities handed the atom over into the keeping of the civilian Atomic Energy Commission. Last week an official account of the building of a pilot industry was published by Her Majesty's Stationery Office ("Britain's

Atomic Factories," 5s.). Soon a corporation will be set up to take over responsibility for this venture from the Ministry of Supply and to pilot it through to adult status. Mr Dean writes with a deep sense of mission, and British administrators need not be too proud to learn from his experiences.

Solitary Poet

THE EGOTISTICAL SUBLIME: A

History of Wordsworth's Imagination.

By John Jones.

Chatto and Windus. 212 pages. 16s.

"WORDSWORTH'S originality is not easily approached," Mr Jones declares early in this important study. "He enclosed his finest performance in a husk so tough and commonplace as to mislead bad critics and distress good ones." Certainly much recent writing on the poetry is queerly inadequate. It has been viewed by Sir Herbert Read as a hastily erected screen before an unfortunate erotic experience; by Professor Beatty as a dressing up of the undistinguished philosophy of David Hartley; and by the late Irving Babbitt as exemplifying the doom of nonsense imposed upon Western thought by Rousseau. Yet Wordsworth took little interest in philosophy, and to its contemporary developments, at least, not even Coleridge could edge him beyond an attitude of ignorant defiance; he had "never read a word of German metaphysics, thank heaven!" Again, it is not easy to think of any personal relationship as definitive with him. His proper title Coleridge declared to be *spectator ab extra*; his was always the sympathy of "a contemplator rather than a fellow-sufferer," so that he felt "for, never with" his subject.

"I gazed and gazed," "I looked and looked," "I stared and listened": this constitutional detachment is the ground of all Wordsworth's thought. Solitude is the theme of his long life and the pre-occupation of his poetry; he celebrates

the individual Mind that keeps her own
Inviolate retirement.

On this cardinal fact Mr. Jones comments:

The solitude of which he is speaking issues from an attitude towards personality; from an eagerness to accept the fact that I am myself just because I am not anything else: to be me is to be always apart. The final barrier which is differentiated existence, dreadful to Coleridge, is embraced by Wordsworth as the source of enlightenment and strength. "Inviolate retirement" sounds a note of exultation because the poet believes that the way to wisdom lies through the individual's awareness of his individuality.

Here, then, Wordsworth starts, and the poetry of his great decade is a huge sustained argument from solitude to relationship, from the points "where all stand single" to their connections with each other. And this the context of literary history has tended to mask. "The large and lazy assumption that the Romantic poets were all striving to express unity has obscured the structure

of distinct but related things which is the world of Wordsworth."

Having made this preliminary diagnosis, Mr Jones embarks upon a dissection of the poet's imagination which he describes in a preface as "of some pretension." His boldness has been justified, and many will find here the most perceptive writing on Wordsworth since Matthew Arnold's essay.

Pioneering Inquiry

COLONIAL SOCIAL ACCOUNTING.

By Phyllis Deane.

Cambridge University Press. 360 pages. 50s.

THIS book is Miss Deane's final report on her inquiry into the measurement of the national incomes of Northern Rhodesia and Nyasaland. The social accounts of the two territories for 1945 are presented, together with some data for 1938 (already presented in an earlier publication) and 1948. Very full information is given about village economic surveys and other sources of information used in the preparation of the estimates.

Miss Deane discusses the difficulties of constructing the social accounts of territories in which subsistence activities form a major part of all economic activity. The problems of definition, valuation and measurement are immense; they are illustrated in some detail. The available statistics are patchy and meagre, and additional data are difficult to collect. The result is that the estimates are tentative. Thus the key estimates of the value of subsistence output are "purely token figures and it is important to remember that a revised scheme of evaluation would alter the results radically." "The concepts which are applicable to a money-exchange economy mean relatively little in the context of a subsistence economy." In view of the inherent difficulties, it is therefore somewhat surprising to be told that, in drawing up social accounts,

there is the need to maintain some kind of uniformity with international conceptual standards so that the village social accounts will have some meaning in an international framework.

Thus what Miss Deane describes as an experiment in national income measurement of colonial territories "has had a very limited success." This outcome could have been (and may well have been) predicted before the detailed investigations were started. Miss Deane claims that the framework of the necessarily incomplete social accounts "can be useful for general descriptive and analytical purposes." She refers to the discussions in the book of the economies and economic problems of Northern Rhodesia and Nyasaland, but these provide no surprises for the student of African colonial conditions. On several topics Miss Deane departs from the purely descriptive and statistical. Here her views are interesting: for instance, on Rhodesian agricultural price policy, the problems of migrant labour, and the efficiency of the distributive trades. But the discussion is far too brief to be

altogether satisfactory. Perhaps the eight pages of photographs, attractive as they are, might have been omitted to give Miss Deane more room within which to develop her sometimes provocative views on important and controversial questions.

The Voice of Marshall

ALFRED MARSHALL AND CURRENT THOUGHT.

By A. C. Pigou.

Macmillan. 85 pages. 7s. 6d.

IT was a happy idea of Professor Pigou to choose as his subject for the Marshall lectures in 1952 what Marshall would have to say about the current state of economic thought, what of the current state of fact and policy. In relation to each of six important topics—mathematical methods, statistics, elasticities, the rate of interest, utilities and socialism—the authentic voice of Marshall speaks through his distinguished pupil and first successor in the Chair of Political Economy in the University of Cambridge. The lectures bring us back the man who in his own words was "accustomed to think in Mathematics more readily than in English," also the man who "had come into economics out of ethics." The university student of today will find his best introduction to Marshall in this slim volume. He will be convinced of the weakness of ready reckoners for Utopias, and of the strength latent in the faith and works of—to him—an Ancient.

Professor Pigou makes a fresh contribution of his own. He suggests a neat test of significance of measures of elasticity of demand and also puts a fresh formal complexion upon Keynes's challenge to Marshall's views on the rate of interest, although it may be doubted if either protagonist would have accepted the position offered him. For the scrupulous reason that "there is not enough evidence," he forbears asking what Marshall would have thought "about what politicians call the policy of full employment." But, on this, may it not be a fair guess that Marshall would have felt deep disquiet lest the national paper-chase in recent years was undermining the ordinary man's standard of living; and would not the practice of making two jobs out of one person's work have roused him—as did Defoe's story of the Volga boatmen—"to slay the old fallacies again and yet again before their [the people's] eyes"?

Part II of the book consists of a paper on the trade balance, written by Professor Pigou at about the same time as the lectures. Let any who would begin to understand that "monstrous monument of statistical skill," the British Blue Book on Income and Expenditure, particularly in conjunction with the command papers on the balance of payments, turn first to Professor Pigou's basic skeleton schemes of the data; and, above all, let him learn the lesson that "statistical variations are not causes, but channels through which genuine causes exercise their influence."

Shorter Notices

ABADAN.

By Norman Kemp.
Allan Wingate. 18s.

Mr Norman Kemp is a young reporter whose taste for hot spots has won him work for several major newspapers and news agencies. It is therefore hard to conceive why he let the deadline for this book slip by. It is the human interest story of the ordeal suffered in the summer of 1951 by the Anglo-Iranian Oil Company's rearguard at Abadan. Produced in hot blood, his turgid style would have passed muster, outweighed by the topicality of his tale of the arrogance and pettiness of the young men in pin-stripe suits who arrived from Teheran to take over, of the nasty tests of character and forbearance to which the company's British staff were put, and of the despair of its senior Persian employees, torn between knowing what they were losing and saying that nationalism must come first. Told after the lapse of two years, his story cannot carry its overload of items in the vein of "Mrs Bonnie James paused only to snatch her baby before she ran for the plane."

Mr Kemp tries to justify the delay by transforming himself from reporter into historian, but the attempt is not satisfactory. He has never been over the mountains and into Persia proper; all its history is news to him and much of its nature escapes him, and pages of painstaking quotation from Foreign Office documents do not make up for many resultant omissions and mistakes. He is obviously

splendid at getting into the front row during a riot, and scarcely any Englishman outside the company saw what he saw. He would have done better, therefore, either to have stuck to the kind of reporting that he can do or to have found himself a collaborator to handle the history.

★

THE LONDON MAGAZINE. *A monthly review of literature.*

Edited by John Lehmann.

Chatto and Windus. 104 pages. 2s. 6d.

The appearance of a second new literary periodical in the space of five months must cause some surprise. *Encounter*, which broke surface in October, is of wider scope and is concerned with literature, arts and politics. *The London Magazine* is concerned only with literature and, if its first issue is a fair sample, is interested more in the publication of original work than with criticism. A high proportion of the contributors to its first issue are in their late twenties or early thirties, but it also includes a rather ragged canto by Louis Macneice in memory of Dylan Thomas and a highly polished chapter from the next book of Elizabeth Bowen. This brave venture is sponsored by the *Daily Mirror*.

★

A TEXTBOOK OF ECONOMIC THEORY.

By Alfred W. Stonier and Douglas C. Hague.

Longmans. 513 pages. 25s.

This is described as an introductory textbook, requiring of its readers no

previous knowledge of the subject. In a narrowly technical sense this claim is justified; nowhere is there assumed a prior familiarity with economic terms and analytical construction. There is assumed, however, a capacity for concentration, a facility in juggling with abstractions, and an ability to pursue a complex train of thought without ever losing sight of original assumptions, which is generally acquired only late in the course of study—whether of economics or of any other rigorous mental discipline. In fact, this "Textbook" is especially recommended by its authors (both experienced university teachers) to candidates for Part I of the London BSc(Econ) degree; to students, that is to say, who have survived the sifting of the first university year, who have decided that they are really interested in economic theory and who want to get their teeth solidly into it. The ordinary run-of-the-mill beginner should really be warned off.

For the intelligent budding specialist the "Textbook" is admirable. Nowhere else is he likely to find so clear, comprehensible and authoritative an exposition of the construction and use of economic models. Used as it deserves to be used, here is the means of carrying him smoothly from the solid beginner's ground of, say, the Cambridge Economic Textbooks to those altitudes where the learned journals have their being. It is concerned strictly with theoretical economics, not in the least with political economy; but the authors are scrupulous in reminding the student of the real-life limitations inherent in abstraction. The book deserves, from its necessarily limited but ever-renewed audience, a warm and lasting welcome.

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.

Business Man's Budget

Washington, DC.

PRESIDENT EISENHOWER'S 1955 Budget, the first that has been superintended throughout the whole of its long gestation by the new Republican business men in government, rests on the assumption that, as he said to Congress last week, conditions will be "fairly stable . . . internally and externally, during the period" the Budget covers. In other words, it is assumed that there will not be an economic recession of sufficient size to make necessary any drastic overhaul of the pattern of American taxation and expenditure, and that the frontiers of the cold war will remain, for the next eighteen months at least, where Mr Dulles and his threat of massive retaliation have bidden them to remain.

Federal expenditure for the fiscal year 1955 (beginning July 1, 1954) is estimated at \$65.6 billion, a reduction of \$5.3 billion from that of the fiscal year 1954, ending on June 30th. Revenue is estimated at \$62.6 billion, leaving a deficit of \$2.9 billion, slightly less than that for the current year. The requests for authority to incur new obligations—that is for congressional authority to plan expenditure much of which will become due for payment after June 30, 1955—total \$56.3 billion, \$4.4 billion below the figure authorised for 1954. By the end of the 1955 year the unspent balance of appropriations voted in previous years will, it is estimated, be lower than at any time since the rearmament programme got into its stride in 1951.

From the economic standpoint the interest of the Budget lies not so much in the general figures but in the underlying calculations. In the first place both the President and the Secretary of the Treasury have made it clear that estimates of revenue are based on roughly the same level of economic activity as prevails at present: if the economic activity in the government have a different view it has not been permitted to distort the symmetry of official calculations. Secondly, while the reductions in taxation will clearly do something to stimulate consumer demand, they have not apparently been worked out with this as their primary object.

Two of these reductions occurred automatically on January 1st when a special increment to the personal income tax and the excess profits tax expired. The President has demanded the continuation, in the interests of revenue, of the general corporate income tax and of the special excise taxes, which would otherwise lapse on April 1st. Clearly, the Administration is not using the Budget to reinflate consumer demand. This is borne out by the nature of

the income tax revisions recommended in the Budget Message; though a number of sensible proposals for tidying up the chaotic structure of tax exemptions were included, these seemed aimed chiefly at helping the citizen as an investor rather than as a consumer. Furthermore, the demands of orthodox Republicans for a balanced Budget and the hangover of election invective against inflation seem to have inhibited the Administration from trying to encourage retail sales by a lowering of excise taxes.

Finally, despite all that has been said about the determination of the Eisenhower Administration to use the resources of the federal government to prevent "readjustment" from rolling into "recession," the President has not asked for any increase in authority to incur expenditures that would give him the necessary freedom of action in stimulating economic activity quickly, through public works or other channels. In the Administration's plan for countering recession, such pump priming clearly plays a subsidiary role to monetary adjustments and to improvements in the automatic economic stabilising forces, such as increasing social security payments.

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Estimated spending on national security, which is still responsible for two-thirds of the national expenditure, is \$44.9 billion for 1954-55, \$3.8 billion less than is expected this year. This reflects a projected cut of \$4 billion in the spending of the United States armed forces themselves, and a slightly increased rate of expenditure on atomic energy and on foreign military aid, now rechristened "mutual military expenditure," in yet another attempt to make it more palatable to Congress.

As was to be expected from the "new look" of American strategy, recently unveiled by the President and Mr Dulles, and accepted with so much misgiving around the world, it is the Air Force which is to spend the largest proportion of the funds, \$16.2 billion, its highest figure since the end of the second world war. In part, however, the pre-eminence which has been given to the Air Force is only a return to the pattern of priorities which existed under the Democratic Administration, and which the new civilian heads of the Defence Department sought to change last spring, without the advice of the Joint Chiefs of Staff. While the Army, with \$4.1 billion less to spend, will shrink to 17 divisions from its present strength of 20 by the middle of 1955, and the Navy and Marine Corps will

Patrick Moore

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by Gordon Dean,

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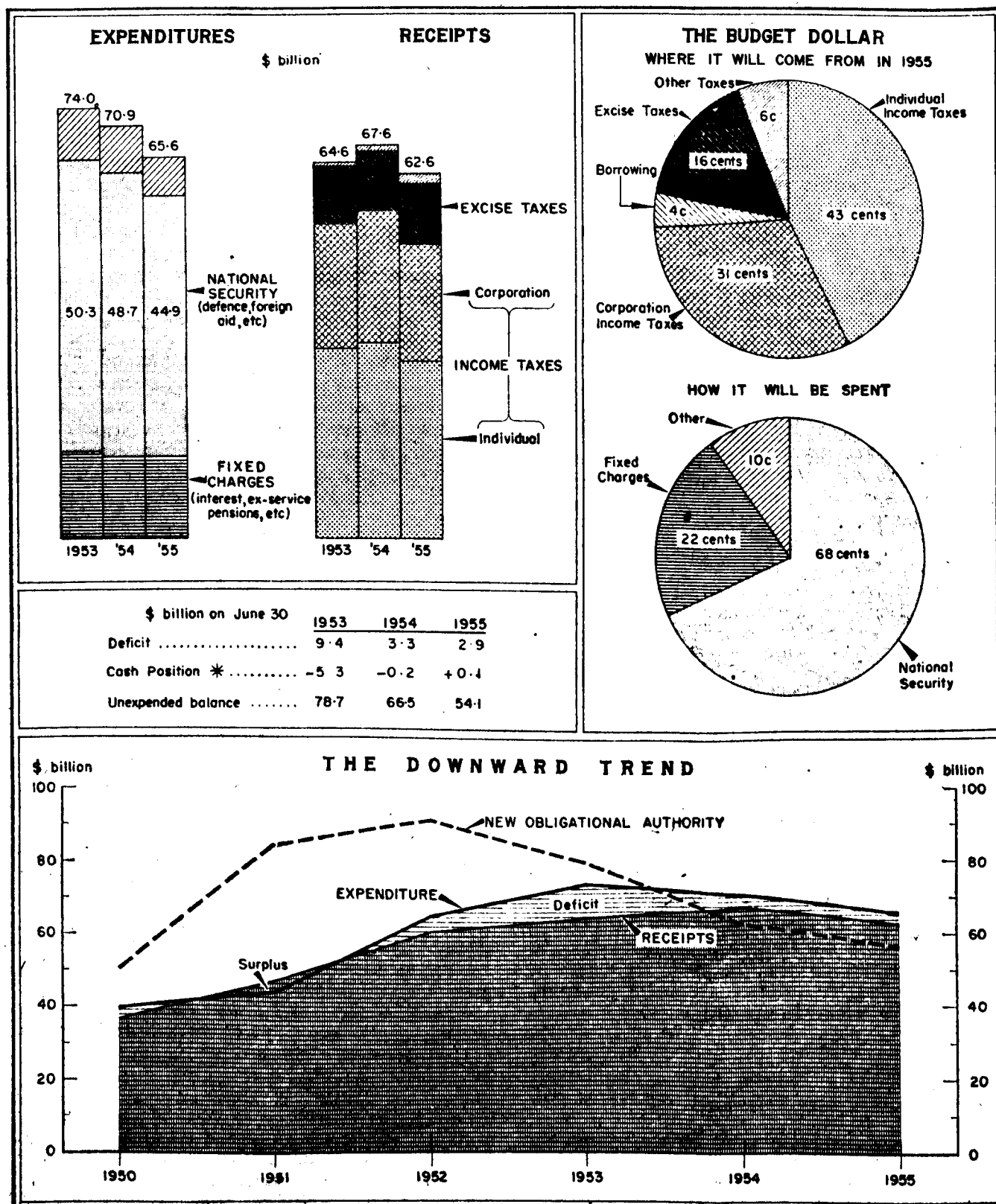
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The United States Budget

For the 1955 Fiscal Year Beginning July 1, 1954



All figures are for fiscal years ending on June 30th of year shown; those for 1954 and 1955 are estimates.

The 1955 estimates of receipts include proposed new taxes.

Income tax receipts include refunds for overpayments to be distributed during the year.

*The budget figures do not include transactions involving insurance and other funds which the Government holds in trust. At present most of these are taking in more money than they pay out.

THE ECONOMIST, JANUARY 30, 1954

remain virtually unchanged in size and strength, the Air Force, with 23,000 active aircraft, or 120 fully-equipped wings, will by then be well on the road to the goal of 137 wings by mid-1957.

The major economies that are being made result only partly from a conscious decision on the part of the Eisenhower Administration to base its defence policy on the strategy of the "long haul" rather than a rapid build-up of strength. In considerable measure they merely follow from the fact that the rearmament programme has now been running for four years, and that much of the capital expansion which it involved has been completed.

Thus while there will be a reduction in the coming year of some \$600 million in manpower costs (derived entirely from reductions in the strength of the Army), the largest single saving, of \$2.7 billion, is in procurement. Expenditure on aircraft and ships will remain roughly constant in the next eighteen months, and expenditure on electronics equipment and guided missiles will go up, but spending on soft goods, vehicles and ammunition will go down sharply, since the stocks of these goods are said to be now virtually complete. Again it is obvious that the Administration is not going to use defence expenditures to offset the reluctance of the public to support the durable goods industries. However, when it comes to new appropriations, the Administration's plans for the future emerge more clearly. The total request for new defence funds is \$30.9 billion, about the figure which the Administration believes to be the annual charge which the economy and Congress can bear for the "long haul."

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Similarly, the high level of expenditure on the "mutual military" programme, \$4,275 million, or \$75 million higher than the current year, reflects chiefly the higher rate at which American equipment and offshore procurement contracts are now flowing toward the North Atlantic Treaty countries from funds previously authorised. However, only \$2,500 million is requested in new authority, a reduction of nearly 50 per cent from the amount authorised two years ago. For atomic energy both the estimate of expenditure for 1954-55 and the request for new funds are higher than last year, but no new appropriations have been given to the programme for stockpiling commodities since 1953.

No attempt has been made in the Budget to differentiate economic aid from technical assistance; the combined expenditure for these purposes, and for information activities abroad, is estimated at \$1,125 million. But in contrast to mutual military aid, the request for new authority is almost as large as last year \$1,025 million. This, it is clear, represents a recognition that, however healthy the European economy may look through Mr Stassen's eyes, it is impossible to consider terminating economic aid to the Far East.

So far the Budget has had a good reception in the press, and there is much praise for the President in becoming, as the *New York Times* puts it, "the master and not the creature of his Budget." It now goes before an election-minded Congress and there is no guarantee that it will come out looking as it did when it went in. Nevertheless, all but the most Victorian Republicans are grateful that the Administration has managed to exhibit its zeal for economy without undermining the gains in social welfare of the past twenty years.

Aid for Trade?

ANY expectation that the Randall Commission would find ways of enlarging international trade which had been overlooked by its numerous able predecessors was always wide of the mark. The special function of this body, as is shown by the inclusion of ten members of Congress as well as by the haste with which it has wound up its labours, was to devise a progressive foreign economic policy which protectionist Republicans could be induced to support and Congress to pass at this session.

If, in the words of the Republican *Herald Tribune*, the programme is "less of a clarion call for freer trade than had been hoped for by some," the real blow has been the failure of the majority, despite a number of concessions, to carry with it the chairmen of the committees of the House and Senate which deal with legislation on trade and tariffs. Virtually every section of the report is followed by dissents, either from Mr McDonald, head of the steelworkers and the only trade union member, who in all but one instance wanted more liberal trade policies, or from the conservatives who felt the commission had gone too far. But it is the complete and angry dissent of Mr Reed, chairman of the House Ways and Means Committee, and the milder but probably more damaging qualifications of Senator Millikin, which make it appear that Mr Randall's half-loaf may result in hardly any bread at all, even if the President is prepared to support the commission with all the resources at his command.

In view of all the circumstances that surrounded its preparation, the report does not lack courage. It begins by dispelling the argument, so favoured by Mr Reed and his ally Representative Simpson, that the dollar gap has virtually ceased to be a problem; it points out that the gap is concealed, not closed, by extraordinary restrictions on dollar purchases by other countries and by extraordinary American expenditures abroad of about \$5 billion a year. The economic aid included in this total should, in the view of the commission, cease as soon as possible and so should any attempt to disguise economic aid as, for example, "defence supporting aid." Where continued economic help is necessary and in the American interest, loans should take the place of grants.

The free world, the commission considers, must build its future upon its own efforts and attract the additional capital it needs by creating a hospitable climate for investors. Although the report believes that the United States government can play only a minor role in encouraging private American investment abroad, it concedes that this has been disappointing since the war, and recommends a number of changes in the tax laws to provide greater incentives, and also the extension of government guarantees, during a trial period, to cover the risks of war and revolution as well as of expropriation or inconvertibility of exchange. In his Budget Message, the President urged Congress to adopt four of the commission's proposals, including the reduction of the corporation tax rate on all foreign earnings from the present 52 per cent to 38 per cent, a benefit investments in the western hemisphere already enjoy. Government loans, aside from those appropriate for the Export-Import Bank, are reserved by the commission for truly extraordinary circumstances.

The realm in which the commission's strictures are likely to accomplish least, but on which the majority

clearly and understandably felt most strongly, was that of American farm policy, which is hardly ruled by the faith in vigorous competition, or the maintenance of a broad free market to which the commission has nailed its flag. Moreover, it would have been difficult to condemn international price fixing agreements for commodities, upon which some countries are almost totally dependent, without frankly recognising that in this respect the United States, with its high rigid supports of farm prices, is among the worst offenders.

The first specific recommendation which took courage concerns raw materials on which the United States is dependent; the commission suggests that if it is considered necessary, for military reasons, to maintain domestic production, this should be done, not through the tariff, but by other means—subsidies or contracts to purchase.

★

Although the commission deprecates the belief that the United States is any longer a high tariff country or that reductions in the American tariff, by themselves, are likely to solve the dollar problem, the heart of the report nevertheless lies in its section on tariff policy. It suggests that the President should be allowed to exempt other countries, on a reciprocal basis, from the Buy American Act, which at present requires the government in its purchases to favour domestic producers; that the Tariff Commission should undertake a study of means of simplifying commodity definitions and rate structures, and that the Senate should complete the work begun on customs simplification, particularly by adopting improved methods of valuation. The commission proposes that the General Agreement on Tariffs and Trade should be renegotiated to confine the functions of the parties to sponsoring multilateral trade negotiations and should then be submitted to Congress.

The key proposal is for a three-year extension of the Reciprocal Trade Agreements Act, and the granting to the President of power to reduce existing duties, on a reciprocal basis, by 5 per cent during each of those years (which, incidentally, cover the remaining life of this Administration). One-year extensions have become the recent practice. Even three years of assurance of freedom from tariff increases falls short of the hopes of foreign exporters, but the commission feels that there has been relatively little experience of trade concessions under normal trading conditions. It considers that after a three-year trial, in which the progress of other countries toward freer trade can be judged, a longer extension might be desirable.

During this period, the President would also be given authority to reduce tariffs, not necessarily on a reciprocal basis, by 50 per cent from levels prevailing in January, 1945, on articles the import of which is negligible, and to reduce to 50 per cent any rates still above this level. The commission did not, however, recommend abolition of the escape clause, which enables American industries to seek relief if they can show they have been damaged by tariff concessions, or of the "peril points" the Tariff Commission must set when negotiations are undertaken. But the report underlined the President's authority to disregard the Tariff Commission's view in the national interest. To all these constructive proposals, however, Mr Reed and Mr Simpson turned an obstinately deaf ear and even Senator Millikin found them of dubious validity.

It was widely believed that the commission might endorse a plan to compensate domestic industries and workers for the losses they might suffer if tariffs were cut, but it has not done so, although it reprints Mr McDonald's elaborate scheme for technical assistance to such industries and for economic aid to displaced employees. Mr McDonald was more successful in bringing the majority to his view that competition from lower-wage countries should be considered unfair only if the wages involved were lower than those generally paid in the commodity's country of origin—a suggestion which would be likely to cause friction abroad and overwork for statisticians at home.

An enlightened view—which is now becoming general in American official quarters—was taken by the commission on east-west trade, in which it believes the United States might acquiesce, subject to a continuing ban on the shipment of strategic materials and on American exports to China and North Korea. An even more controversial proposal is that foreign dollar earnings should be expanded by repealing the requirement that half of all aid cargoes be carried in American ships, and that the government, in deciding how large the American Merchant Marine should be, should take into account the availability of foreign vessels.

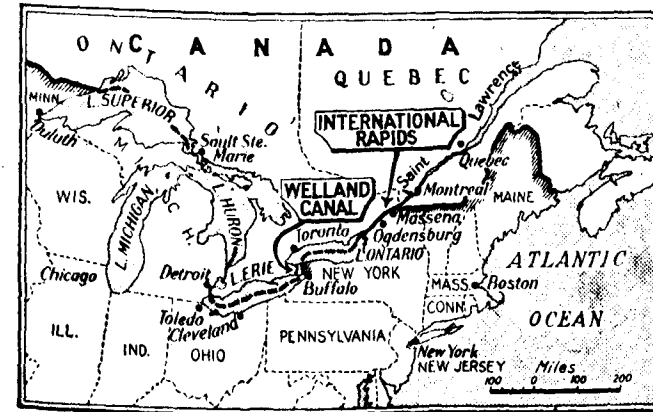
The final recommendations concern currency convertibility, which the commission regards as an indispensable condition of trade balance in a free market, although it does not recommend any "dash for convertibility" on the part of the countries concerned. In the belief that sterling is a key currency, and that Britain's reserves need strengthening to restore confidence, the commission, after much thought, recommended that these reserves might be found through better use of the \$3.3 billion resources of the International Monetary Fund and that a second line of defence might be provided by a line of credit with the Federal Reserve System. In the United States this is taken, according to the *New York Times*, as a polite, but firm, disappointment of British hopes for a government stabilisation loan.

American Notes

Senate and the Seaway

BEFORE this week's debate on Senator Bricker's isolationist attack on the presidential treaty-making powers is over, a way will, it is hoped, have been found to ensure the defeat of the Senator's constitutional amendment. Mr Eisenhower has staked his personal and official prestige on overcoming Mr Bricker's challenge. That prestige has already been pricked, since the new congressional session began, by the Senate Interior Committee's unexpected refusal, by one Republican vote, that of Mr Dworshak of Idaho, to separate the question of statehood for Hawaii from that of statehood for Alaska, as the President wished. The continued linking of the two strengthens the opposition and makes it improbable that even Hawaii will become a state during the present session.

The outlook would, however, be brighter if the President were to use his influence on behalf of Hawaii as he has just done so successfully on behalf of the St Lawrence Seaway, which has been approved by a substantial bipartisan majority in the Senate. A tête-à-tête breakfast at the White House might, for instance, change Mr Dworshak's mind as completely as it did that of Senator Dirksen of Illinois, a long-standing opponent of the seaway. The break came when Senator Kennedy of Massachusetts and Senator Smith of New Jersey, arguing that the defence and prosperity of the nation should come before local



considerations, shattered the hitherto almost solid east coast front against the seaway. Basically, however, the favourable Senate vote was merely a recognition of the fact that Canada, after waiting for half a century, and no longer in need of outside financial help, was now going to build the seaway on its own—and control it when built.

The Senate vote means that out of politeness Canada must now give the House of Representatives a decent interval to consider the Seaway Bill, and the lobbyists for the rail and shipping interests another opportunity, which they may use successfully, to kill the Bill. But the Republican withdrawal of the federal government from the hydro-electric part of the project has weakened the opposition to it. So has the reduction in the contribution which the United States is now to make to the navigational development. It is no longer a question of a completely co-operative American-Canadian project, but merely of a United States government corporation building a section of the new channel on the American side of the International Rapids, at a cost of \$105 million, with Canada taking responsibility for the other works, which will cost at least twice as much. Canadians may be excused for feeling that congressional approval of the seaway, even if it comes at last, will be too little to excuse its lateness.

McCarthy Goes for Harvard

INTERESTING questions are raised by the decision of Professor Furry, of Harvard University, to admit to Senator McCarthy that he was a member of the Communist Party from 1938 until after the war, but to refuse any information about other Communists he knew except to a grand jury and then only if he felt they were guilty of serious crime such as espionage. In his three previous brushes with congressional committees, Professor Furry has refused to answer any questions and has invoked the protection of the Fifth Amendment, which provides that no one can be forced to testify against himself. In the minds of many,

reliance on this constitutional privilege has become identical with a confession of guilt, and for his own sake and that of the University, Professor Furry quitted his legal hide-out.

Senator McCarthy has been gunning for Dr Pusey, the president of Harvard, whom he accuses of maintaining a "privileged sanctuary for Fifth Amendment Communists." Dr Pusey feels that subversives have no place in education and deplores the use of the amendment. His crime is partly that he does not feel that those who avail themselves of it should necessarily be dismissed. But Dr Pusey, who comes from Senator McCarthy's home town of Appleton, Wisconsin, made an enemy of the Senator long ago by his courageous criticism of his methods.

The question raised by the Furry case is one on which Senator McCarthy has sought guidance from the Attorney-General. It is whether, having answered questions about himself, a witness can refuse to testify about others without becoming guilty of contempt. The fear that they would be forced to turn informer explains why some witnesses refuse to speak at all. Another point on which the Senator is taking advice is whether the courts are likely to uphold the view put forward by men outside the government service that the Senator has no right to question them since his subcommittee's theoretical function is to investigate mismanagement in the government.

Some curb may be imposed on the Senator's activities by the conditions he has been forced to meet in order to secure the return of the Democratic members of his subcommittee who walked out last summer in protest against his one-man rule over staff appointments. In future appointments must secure the approval of the majority, and the minority will have their own counsel and clerk and the right to appeal to the parent committee if they object to hearings being held in public. The Republican leaders were anxious to have the Democrats back, to share any of the mud thrown at the subcommittee as well as to prevent it from continuing to be, as it has been during the last nine months, a one-man platform which has made the name of Senator McCarthy known to practically every American.

Good Homes in Good Neighbourhoods

ALTHOUGH some Republicans are taking the opposite view, the main doubt about the President's housing proposals, sent to Congress this week, is whether they go far enough to achieve either of his objectives: a good home in a good neighbourhood for every American, including especially Negroes and others belonging to minority groups, and a continuously high level of house building for the good of the national economy. Exactly how far the proposals go will become clearer as detailed legislation is put before Congress. The emphasis, as might have been expected, is on indirect federal encouragement to local authorities and private enterprises, to help them make up the admittedly serious deficiencies in American housing.

In one respect, however, the President reluctantly admits that direct federal action is necessary, temporarily at least. He recommends the continuation for four years of the public housing programme that provides homes for low-income families, especially those displaced by slum clearance and other rehabilitation projects. His proposal, for 35,000 units a year, compares poorly with the 135,000

authorised in the 1949 Housing Act, but better with the numbers that have actually been built under that Act, and well with the 20,000 public housing units which were all that Congress felt the country could afford during the current fiscal year. Before the four years are up, the President hopes that the needs of low-income families will have been met by a new experimental programme for government insurance of low-cost, long-term mortgages.

If Congress approves these two programmes, they will make it easier to reach the goal of one million new housing starts which builders are aiming at again this year. For the demand is now chiefly for cheaper homes and it was the fall in public housing starts that was mainly responsible for last year's decline in house building. Another building activity for which there is also still an unfilled demand is for the repair and modernisation of existing houses and here also the President's proposals should prove helpful. For not only does he ask for direct loans and grants to local authorities to enable them to clear or rehabilitate slums, and make plans to prevent their spread, but he also asks that the terms on which the federal government insures loans needed to buy or improve existing homes should be made as easy as those on borrowing for new houses.

In case deflationary pressure should make it necessary to stimulate building activity, the President asks for additions to the limited authority which Congress gave him at its last session to adjust the terms on which the government insures and guarantees mortgages. He also recognises that it may still on occasion be desirable for the government to purchase existing mortgages, in order to make more credit available for building loans. His plan for reorganising the Federal National Mortgage Association, through which the government operates in this secondary mortgage market, would leave it with power to continue such operations, although under strict controls. Otherwise the President proposes that the association should gradually become a private enterprise financed by the users of its facilities.

Horns of Plenty

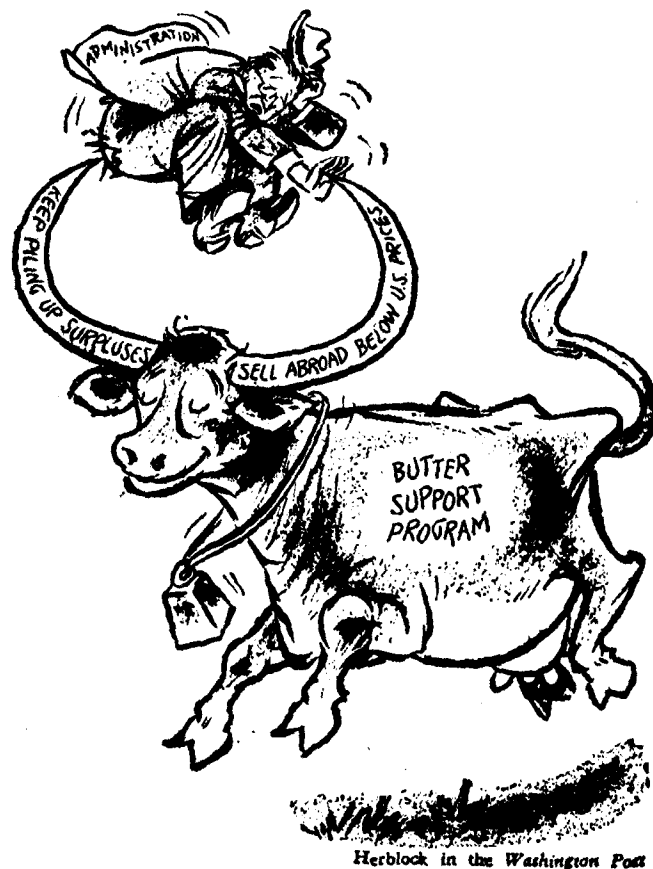
As Mr Harold Stassen pointed out early this month, the United States now smiles on non-strategic trade with the Soviet bloc, though not with Communist China or North Korea. Restrictions are being relaxed not only in recognition of the fact that other countries must trade to live, but also in the belief that the balance of advantage may lie with the West and that trade may carry democratic ideas into eastern Europe. But when an American businessman recently approached the government for permission to buy 40 million pounds of government-owned surplus butter and 14 million pounds of cottonseed oil to sell to the Soviet Union he was turned down.

There was no question of the balance of advantage. Mr Benson, the Secretary of Agriculture, must have been sorely tempted by the possibility that eventual Russian purchases might reach 150 million pounds of butter. He is already the unhappy custodian of 262 million pounds accumulated under the price support system, some of which has begun to deteriorate. Now, with the opening of the new season, butter is once more pouring into the Commodity Credit Corporation's stores at the rate of nearly a million pounds a day. Moreover, it is conceivable that the Soviet Union might be willing to barter manganese,

which is in short supply in America, for the butter which is embarrassingly plentiful.

What the Cabinet could not stomach was the prospect of explaining to American taxpayers, as they spread margarine on their bread, why Russians should eat butter at American expense. Naturally no more than the world price of 46 cents a pound is being offered for butter which it cost the government 67 cents a pound to buy; American housewives are paying more than 70 cents. Surplus com-

"Bossy, What Sharp Horns You Have"



Herblock in the Washington Post

modities have been sold abroad at cut rates before now, but only to friendly countries.

The door is not quite shut. On April 1st Mr Benson must decide at what level he is going to support the price of butter next year. He might let it drop as much as 10 cents a pound, if he does not mind risking the defection of the dairy states in next November's election. This would almost be enough to enable East and West to meet.

SHORTER NOTES

The Republican Administration has been without a Solicitor-General for over a year, ever since it took office, but the President has at last nominated Judge Simon Sobeloff, of the Maryland Court of Appeals. He must still be confirmed by the Senate.

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In 1953, for the second successive year, there were no lynchings in the United States, and the Tuskegee Institute, which keeps records of these crimes, has decided that a new index of race relations would be more suitable. Studies will in the future emphasise the economic and cultural progress of Negroes.

The World Overseas

Japan Faces the Overdraft

FROM OUR TOKYO CORRESPONDENT

UNDER the Zodiac calendar, this is the Year of the Horse in Japan; it is supposed to spur the confused, demoralised nation into headlong galloping progress. (The last Year of the Horse was 1942, when the Japanese steed ran wild in the south Pacific.) The Prime Minister, Mr Yoshida, hailed the New Year with a minor Cabinet reshuffle which brought the number of ministers who have served under him to the imposing score of 99. The unimportant reshuffle was intended to emphasise his implacable determination to "super-balance" the budget, tighten Nippon's belt and usher in a new era of reform, economy, austerity and true independence. He submitted heroic evidence of his Government's sincerity by sternly rejecting a salary increase for government officials which could technically have been extended to the Cabinet.

The redoubtable Mr Yoshida has cleared many hurdles during his unprecedented five terms of office, but he will need a sturdy mount to carry his colours through 1954. Japan's precarious economy is still sustained only by dollar transfusions which the Americans are now administering with flagging enthusiasm. Exasperated American representatives have indulged in sufficient "thinking aloud" at the interminable wrangles over Japanese rearmament to warn the Japanese that the wells of American generosity and aid can dry up.

During the past three years the United States has spent \$2,500 million in Japan for goods and services to maintain the Korean war, defend Japan and help other Far Eastern nations. This emergency sustenance enabled and encouraged the Japanese in 1953—the Year of the devious and sluggish Snake—to import a flood of luxury goods which has helped swell the trade deficit to \$240 million. The sick and ailing yen has lost another 10 per cent in value during the past eight months, so that the real exchange value should be nearer 600 instead of 360 to the dollar. Dumping—masked by a dual-price system (below-cost for exports, and inflated prices for the domestic market)—has held exports with a struggle to 1952's level of \$1,200 million, despite the 50 to 60 per cent leap in overall prices since the Korean war. But the reckoning has only been postponed: even with the heavy cutback of the "super-balanced" budget to 1,000,000,000,000 yen (£1,000 million) by slashing government estimates and funds for social welfare, disaster relief and public works, another staggering trade deficit of \$300 million is forecast for 1954, with growing unemployment and labour unrest. American spending must continue to fall off after the Korean ceasefire and such ugly problems as industrial inefficiency, obsolete equipment, self-defence

(under whatever name), reparations and the ever-mountaining population must be squarely faced.

To thrust the blame for this crisis on to Mr Yoshida, the only able, patriotic and courageous leader the Japanese have had since the war, would be grossly unfair. Japan has been a victim of American generosity. The people are only now dimly sensing a state of emergency. Their old Japanese discipline and fortitude have been sapped by the hot-house atmosphere in which they have been living since 1948. That they would still respond to a clear call to their patriotism and pride, no one who knew them before and during the war can doubt. But the brutal shock and universal sacrifices involved in such a harsh readjustment demand a new leader, divorced completely from the unreal, dream-like period of the surrender and the Occupation, possessing the qualities of Yoshida but lacking his American legacies and commitments, real and fancied, and radiating the illusion—which it must be—of national freedom from non-Japanese influences and interests. There is no such leader in sight.

An Alice-in-Wonderland Scene

Why the Chinese and Russians have neglected this lush field for mischief on the vital Far Eastern front is one of the great mysteries of the cold war. The Osaka industrialist and his sworn enemy the Socialist politician are alike panting with the same eagerness for some encouragement from the Asian mainland: the one to gain (he fondly hopes) trading advantages by playing off Peking against Washington; the other to achieve (he fondly hopes) the beatific state of pacifism and neutralism which General MacArthur, in a fit of aberration, once told Japan was eminently practicable and desirable. ("Japan can become the Switzerland of the Far East.")

This is only one of the rich paradoxes of the Alice-in-Wonderland scene in 1954 Japan; another was the recent formation of a Communist-inspired organisation, the "Guard-the-Constitution Association," sworn to defend the inviolability of MacArthur's Constitution against the feverish attempts of the Americans to induce Yoshida to change or bypass it for the sake of speedier rearmament. "If I am asked which I choose, butter or guns, I shall say both," Mr Yoshida has sturdily declared in a New Year message to the nation. "It is not possible to rearm at the sacrifice of the people's livelihood." His real problem, as he well knows, is to help the nation survive at some certain sacrifices of the people's livelihood. With or without American aid, Japan must find new export markets at lower

costs. Too many Japanese still believe that the old pattern of trade with the new China can be restored. If they are naïve, they believe impatiently that American aid with its explicit and implicit commitments is delaying that happy return to normalcy—and neutralism. If they are cynical, they believe that they will be able to extract counter-bids from the Americans for every bid by the Chinese, to have their rice and eat it too.

Traditionally, the Year of the Horse brings opportunity and good fortune to Japan from the east—not the west. Whatever hopes Mr Yoshida may build on his reluctant, belated and still inadequate austerity drive, many Japanese, right wing and left wing alike, would be far happier if opportunity came to them in 1954 from enigmatic but Asiatic Peking, to their west, rather than from intrusive and nagging Washington, in the east.

Writers in Soviet Russia—II.

In Search of a New Gogol

THE crude literary make-up laid thickly on the face of Soviet society has cracked rapidly in the post-Stalinist climate. With Malenkov, Khrushchev and others admitting that the lot of the Soviet consumer has not been a very happy one, or that everything is not for the best in the countryside, the touched up *Sovcolor* versions presented in plays or novels have been revealed as a grotesque camouflage. Once the political leaders themselves partly lifted the curtain veiling the seamy side of Soviet life, wholesale literary whitewashing became an anachronism.

Hence in the last few months there have been many signs of a new deal for the Soviet writer. The divorce between fact and fiction, the elimination of real conflict, the literary polishing, varnishing, prettyfying—all these virtues of yesterday have now been openly branded as vices. Critics, unaccustomed to express their real feelings openly, at first hardly dared to whisper thoughts which not so long ago had been judged heretical. Paradoxically, they had to be prodded from above to speak freely, and to aim their arrows at all offenders, however high their position. To emphasise the change, the second congress of the All-Soviet Union of Writers has been summoned to meet this summer after an interval of twenty years.

Hitherto the question "Why have we no Gogols and Tolstoy?" was purely rhetorical, but now it has acquired a genuine air and is echoed in all debates. The theatre was the first to come under fire. The chief accusation against Soviet plays was that they are set in an imaginary society where, to quote Konstantin Simonov, "the better competes with the good and the perfect with the best." Protagonists are mere puppets who are "set answers to be found at the end of an arithmetical primer." "Positive" heroes are given all the trump cards and there is never any doubt about their triumph in the final act. Soviet Romeos and Juliets discuss methods of potato sowing in their balcony scene. Nowhere in real life, exclaims an exasperated critic, will you find a mechanic who dreams with his beloved how they will compile the inventory on the tractor station, or a holidaying miner whose only wish is to go back to work. And yet such plays have been put on with official blessings. The Soviet public, however,

apparently knows how to indicate its "collective criticism" by means of "epidemics of coughing and yawning."

The state of the novel has been described in no less scathing terms. Here, too, the chief trouble is that writing proceeds according to the latest set formula. Cautious authors prefer to avoid the human being, that rich but dangerous subject. Psychology has abandoned the stage to technology. Two examples were quoted from recent prize-winning novels: in one, dealing with military life, one could see the army but not the soldiers; in another, with a factory as the background, one could learn everything about intricate production processes, but little about the Soviet worker.

Is it merely that all talent has been exhausted among the heirs of Tolstoy? Obviously not. How could a Soviet playwright follow his vision, write spontaneously, knowing full well that his play would have to struggle through the purgatory of six bureaucratic examinations before reaching the stage. The critic, that Party watchdog, however, is described as the writer's chief persecutor. *Novyi Mir* has published an imaginary dialogue between the two and the writer's *cri de cœur* is really moving. He had been bullied all along not to depart from the prescribed path and "now you are all sick with my straight line." At first all his visions were branded as false, all his judgments were blamed. So, in despair, he bid goodbye to his muse and climbed on a "literary tractor." The solution may not have been artistically satisfying, but nobody could find fault with him any longer.

No More Ventriloquism?

Such striking revelations were unthinkable under Stalin. This may well herald a new era, but a crop of masters will not spring up tomorrow. After years of ventriloquism the writers must be searching uneasily for their own voice. It is significant but not astonishing that they have to be encouraged by *Pravda* to speak up. The literary tractors may be scrapped and the crudest forms of propaganda abandoned, but a sufficient number of Stalinist taboos remain to preclude for the moment a real picture of Soviet society. Who would dare to mention the bloody collectivisation, the forced labour camps or the Moscow trials? The Beria affair has shown that the purging of Stalinism need not be an uninterrupted and easy process. Indeed, in today's disclosures there is clearly a false note. Critics have been chosen as scapegoats, though all know they were merely the instruments of Stalinism.

Soviet rulers may hesitate to grant their writers too much freedom too quickly because of the tremendous power it would give them. Critics and writers in Tsarist Russia had been the conscience of the nation; whether they willed it or not, through their writings they precipitated the downfall of the regime. And this they did in backward, illiterate Mother Russia. Now, when everybody can read, when books circulate in millions and reach the remotest parts of the country, a Soviet Gogol could wield dynamite. Was Malenkov urging and prophesying the doom of Stalinist society when he declared last year:

It would be wrong to think that our Soviet reality does not provide material for satire. We need Soviet Gogols and Shchedrins (a 19th Century satirist) who, with the fire of their satire, would eradicate all that is undesirable, decayed and moribund. . . .

(Concluded)

NOTES FROM INDIA

These Notes are contributed by our correspondents in India, or compiled in London on the basis of reports from them

The Troops in Korea

THE behaviour of India's troops in Korea has upheld all the best traditions of the Indian Army and their country is very proud of them. This, indeed, is the only strong emotion felt by most Indians about Korea. They have always had a distaste for Syngman Rhee and his methods; that distaste has been slightly, but only slightly, enhanced by his threats of military action and accusations of Communism against India. They have always felt that there are two sides to the question of the prisoners of war. Indians now have the authority of all their correspondents and of their representative on the Repatriation Commission that there have been intimidations, extending on occasion to murder, in the camps, and that there has been organisation from outside, especially by the South Koreans. On the other hand, they always suspected that most of the prisoners really did not want to go back to Communism.

On the duration of the explanations and on whether the prisoners should be released on January 23rd, opinions were more tepid still. Nobody in India objected when the explanations stopped, but nobody would have felt it was appeasement if they had continued. While few would have minded very much when the prisoners were released, equally few would have felt that freedom had been infringed if they had been kept until a political conference; it is generally felt the armistice agreement can be read both ways. Mr Nehru's own suggestions were the result of his desire to prevent any risk of the war breaking out again, not of any special belief in the Communist interpretations. Perhaps surprisingly, India's relations with neither China nor America have been affected by the part it has played in Korea. When Mr Nehru says that India is not eager to go to the political conference, but will, if asked, regard acceptance as a duty, he reflects the general public view; for the public's main reaction to India's role in Korea is that the way of the peacemaker is hard. Chinese intransigence, South Korean hysteria, and Mr Dulles's remark about the "so-called neutral commission" have all left their mark.

Liberalisation—with Protection

IN its import policy for the first half of 1954 the Government of India has made no startling changes. The exchange position has become stable after the large surplus of 1951-52 and the large deficit of 1952-53; over the last year, with the assistance of foreign aid, the sterling balances have remained almost steady, and it has not been necessary to draw on the releases. Delhi expects this position to continue; indeed, it anticipates a slight improvement in exports—tea is now strong and jute goods are not so weak as they were. Such changes as it has made represent on balance, therefore, a slight further liberalisation of the already more liberal policy of the second half of 1953.

Token imports of luxury consumer goods, much criticised by the Indian industrialists who were affected, are to continue. Quotas have been increased for a few more items—betel-nuts, for example, and razor blades. In certain cases licences are not to be confined quite so rigidly to a narrow definition of the items for which they were given; newcomers are to be given rather more scope. In general regular importers will automatically be given new licences to the same value as the old; the range of licences for actual users has been further extended. The machinery of import control has been enormously improved over the past three years, and the new measures, together with some further decentralisation, will improve it still further.

Nevertheless, there is a fly in the ointment. The policy of using import controls as a means of protection has once more been asserted. The Mulgaonkar Committee has just reported that from 25 to 50 per cent of some parts of the Indian engineering industry are idle; there has been a prompt response in the form of cuts in quotas on items ranging from ball bearings and table fans to steel screws and copper wire. The pronouncements of ministers show an increasing concern for the consumers, but policy does not yet extend to permitting imports in more than admonitory quantities where they could be manufactured at home.

Congress Meets

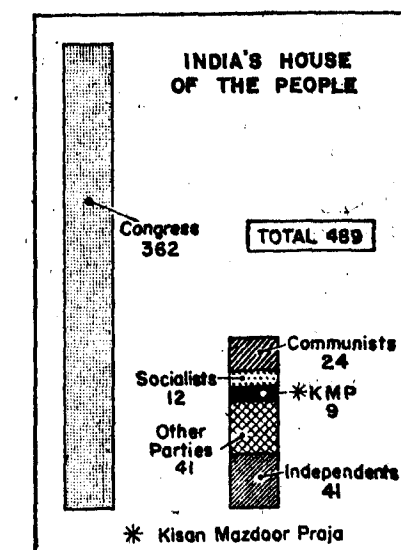
DURING the past few days the Indian National Congress Party has been holding its fifty-ninth annual session, at which a number of resolutions were passed affecting government policy, but mostly without much controversy. Mr Nehru's towering personality has lately given the Party an appearance of unity which so big an organisation does not naturally possess. Indeed it was Gandhi's view that after independence Congress should dissolve rather than turn itself from a national movement into a political party. Its importance in relation to the smaller parties in the House

of the People—particularly the Communists—may be gauged, however, from the accompanying chart.

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Future of Travancore-Cochin

THE state of Travancore-Cochin in the extreme south of India goes to the polls on February 15th. This will be the first big test since the general election of both Congress and Communist popularity. At the beginning of the year, at their Madura Congress, the Communists



reaffirmed their line of moderation, parliamentary action and united front. The Communists are strong in Travancore-Cochin, which has at once more literacy and more landless labourers than anywhere else in India; it is thus an excellent testing ground.

By themselves, the Communists have no chance of winning. The government overthrown in September was a coalition of the Congress and the Travancore Tamil Nad Congress (TTNC)—a Congress bud which wants the Tamil parts of the state to join Madras—and its defeat was the result of the jealousy of the Trivandrum District Congress Committee, in whose bailiwick the TTNC had scored its successes. The election is not, therefore, being fought on any major political issue. The question is what tactics the Communists will adopt and whether they will fight by themselves. They have been negotiating madly to get as wide a united front as possible.

So far they have had a mixed success. Communists are not opposing the TTNC in eight seats, though they have got no commitment in return; and they are still quarrelling about who should contest two seats with their partners of the last united front—the Revolutionary Socialists and the Kerala Socialists. But they have landed one very big fish indeed. The local Praja Socialist party, India's main opposition party and normally bitterly anti-Communist, has decided to make an electoral pact with them.

The Communists have paid a high price; in a House of 117 they are contesting only 40 seats and leaving almost as many to the Praja Socialists. However successful they may be, therefore—and there is no reason to believe that the Communist hold on Travancore-Cochin has gone up since 1951—they would have to have a coalition with the Praja Socialists in order to form a government. The best guess, nevertheless, is that the Congress Party will come back again, even if to do so it has to be firm with the Trivandrum District Committee, and make it up with the TTNC.

* * *

Prospects for the Crops

THIS year the monsoon has been good everywhere in India, better even than in 1943-4, better than it has been for a generation. Mysore has had its best crop since 1883, and Madras, after six years of drought, is complaining that a good many village reservoirs (tanks) are overflowing. The rain has fallen at the right times, in the right places and in the right quantities; except in the Godavari even the floods have been less bad than usual. Of course, nothing is ever quite perfect. There were a few late showers which damaged the excellent groundnut crop; scarcity has been proclaimed in a few villages in Ahmednagar District; the Kosi has moved its bed even more violently than it does every year. But all this is nothing compared with the famines which affected 30 million people last year, or the terrible crop failures of 1952.

It is too early yet to say just how much better this year's crop will be than last year's; despite local famines, that was itself slightly better than average—102 on an index of 100 for 1936-7 to 1938-9. There are sound estimates only for the main commercial crops. Cotton, at 4 million bales, will be 500,000 bales up; groundnuts, at 2½ million tons of decorticated nuts, will also be perhaps 500,000 tons up; and jute, at 3 million bales, will be 1½ million bales down—jute prices were particularly low at sowing time. But more important than the commercial

crops are the food crops, and these are likely to be perhaps 10 per cent or some 5 million tons higher than last year, which in turn was probably about 10 per cent higher than the near disaster year of 1951-2.

These excellent yields have enabled the Indian Food Minister, Mr Kidwai, to speed up the policy of decontrol he began in 1952. The number of people under rationing is being rapidly reduced, and even in the rationed areas overseas wheat is free. Restrictions on inter-district movement have almost gone and those on interstate movement are being reduced. Government procurement of the crop has been abandoned in many states and many price controls have been abolished. The only really rigid controls which remain are those on rice in the big towns and the seriously deficit areas of Malabar and Travancore-Cochin.

Why Saragat Stayed Out

FROM OUR ROME CORRESPONDENT

IF ever the moderate Socialists in Italy, headed by Signor Saragat, had an opportunity of decisively influencing government policy it was during the recent political crisis. Signor Fanfani, the progressive Christian Democrat, who had been entrusted with the formation of a new Cabinet, seemed bound to look left for allies. Had he not forced the Pella government out of office by vetoing the appointment of a right-winger as Minister of Agriculture, and had not the whole crisis arisen through the insistence of Signor De Gasperi on a return to the old policy of collaboration with the other three moderate parties?

The stage seemed set, therefore, for a reconciliation between the Socialists, alienated by Signor Pella's flirtation with the Monarchists, and the Christian Democrats. Agreement was in fact reached on the broad outlines of measures of reform. But at the last moment, the negotiations broke down. Fanfani thereupon switched his batteries and succeeded in overcoming the reluctance of the right-wing members of his party to join his Cabinet.

Political circles in Rome have been severe in their condemnation of the Socialist Party's intransigence, and history is likely to underwrite their verdict. It is contended that it would have done better to put pressure on Fanfani to choose the most liberal elements among the Christian Democrats in forming his Cabinet, and only to have made a firm stand if those attempts failed. Moreover, not only were Saragat's tactics wooden and mistimed, the pretext on which he broke was ill-chosen. His party withheld its confidence on the grounds that Fanfani would not promise to introduce an extreme form of proportional representation. Under the present arrangement, the Socialists have 19 seats against 27 on a proportional basis. This system, though possibly short of perfection, hardly justifies torpedoing what may be Italy's last hope of a central government.

But, to be fair, there is another side to the story. The unfortunate fact is that the moderate lay parties in Italy are too weak to stand by themselves. But if they collaborate with the Christian Democrats, they risk being stamped as "tools of the clericals," and even being absorbed by them; and if at any stage they make common cause with the Communists, they run a similar risk with them. At the June elections the Socialists' poll dropped by 500,000 because they were regarded as satellites of their Christian-Democrat allies. It is hardly surprising that they should

then have veered sharply towards a policy of "the opening to the left." But the Christian-Democrat leaders, increasingly out of touch with "new ferment" in their own ranks, have shown few signs of modifying their policy to suit Saragat's book. On the contrary, they have brought the art of giving and shelving skilfully vague promises to a fine point. Saragat's attempt, therefore, to pin them down on the most concrete issue, the electoral law, was understandable.

Had he yielded on that issue and supported Fanfani, he would immediately have been denounced as a capitulator by the large fellow-travelling Socialist Party headed by Signor Nenni. This now has 75 deputies (to Saragat's 19) and, together with the Communists, they muster 37 per cent of the total seats. Secure in his Left-wing orthodoxy, Nenni can out-manoeuvre his rivals not only from the Left but from the Right. He was prepared, for example, to take a chauvinist line over Trieste. In the same way he dropped an opportunist bombshell, just before Saragat's refusal, by holding out prospects of adopting an attitude of benevolent neutrality towards Fanfani, thus possibly making the new government dependent on his neutrality.

There is known to be a strong current of hostility in Nenni's party to this line, and the official policy is to await Fanfani's statement to Parliament before jumping one way or the other. In any case Fanfani would resign at once rather than be at the mercy of the Left's whim. The aim of Nenni's elastic tactics is simple. It is to detach the left wing of the Christian Democrats and integrate it into a popular front, and to hold up ratification of the European Army. If Fanfani falls, the manoeuvre can be repeated with greater hopes of success with the left wing Christian Democrat Gronchi, who was strongly backed by the left parties in opposition to Fanfani. Alternatively, there will be new elections at which the Left will gain. Heads I win, tails you lose.

Nenni has always skilfully played up his "independence" from Moscow. If he were prepared to make even a gesture of unorthodoxy in the field of foreign politics, there are large numbers of voters who, dismayed by Saragat's ineffective fumbblings, would now back him and his policy of social reform. The mournful truth is that, in the contest between the rival leaders, the odds are heavily on Nenni.

Franco-German Press Meeting

FROM A CORRESPONDENT

A CONFERENCE unique in the history of Franco-German relations took place at Strasbourg on January 11th, when a group of French and German editors and their correspondents met for a two-day conference under the auspices of the International Press Institute to examine their performance in reporting on each other's country. It was a modest affair. It brought together 18 editors, foreign editors and correspondents—9 from each country. The French delegation was drawn from the five leading Paris newspapers and three provincial newspapers in the area of the German frontier. The Germans came from Cologne, Stuttgart, Munich, Frankfurt, Bonn, Oelde Westfalen and Bad Reichenhall. But if this limited gathering was a pointer to the Franco-German press in general, the frankness and cordiality which marked its meetings indicated that the newspapers of the two countries are ready to take advantage of any trend towards better relations.

The first question the conference had to settle was whether reporting across the Rhine was sufficiently defective and mischievous to demand action to improve it. Agreement was reached quickly enough that it was, though in fairness to the German daily press it was pointed out that some of the worst distortion of French news occurred in the powerful weekly illustrated press. German impatience with a France that refused to admit that it had fallen from the rank of a dominant European and imperial power, and French suspicion that the German leopard could never change its spots were frankly examined.

Once the mutual confessions of weakness had been made, the main question was what the press could do. The editor who has to calculate the finances of each column of his paper and the foreign editor who has to fight for space for his correspondents' despatches cannot take refuge in academic recommendations. A French editor spoke of the psychological problem of trying to be objective about a situation on which many readers felt very strongly. But he went on to say that in his region, Lorraine, there was so much interest in and admiration for the West German recovery that never since the war had there been such a favourable moment for promoting Franco-German friendship on the basis of objective reporting.

The Cost of Being Fair

The meeting considered how advantage could be taken of this rift in the clouds of national *ressentiment*. It was agreed that the problem facing both French and German editors was how to get better sources of information about each other at an economic cost. The problem was particularly acute for those newspapers without a correspondent which had to rely on the spot news coverage of agencies. It appears that the French provincial press has no correspondents in Germany and that, unlike the Germans, it has not been able to cooperate to maintain correspondents on a pooled basis. Several suggestions were put forward—for example, the pooling of the costs of a correspondent by a group of newspapers, on which the French sought German advice, and the provision of a digested service of comment and documentation prepared by the newspapers of one country for the press of the other.

Such propositions were shelved as too ambitious at the present stage, but several practical decisions, embodied in a "gentleman's agreement," were reached. First, it was agreed that "it would be useful to set up, in Paris and Bonn, two complementary committees consisting in each capital of two journalists—a Frenchman and a German" with the task of "intervening in a friendly way with the editorial direction" of any newspaper considered guilty of "a flagrant violation of the principles of objectivity and honesty" to which those present pledged themselves. Secondly, personal contact between editors should be encouraged, especially by opening their columns to each other for the discussion of burning issues as they arise. One German editor there and then offered his leader page every six weeks to his French colleagues and two present took him up. Thirdly, the number of special correspondents in the two countries should be increased and their working conditions improved—in particular by an effort to get transmission costs lowered and by providing them with better means of information by the newspapers of the country in which they were working (for example, by letting them have

copies of newspapers free and quickly). Fourthly, editors should seek closer contact across the Rhine by meetings and the exchange of their newspapers.

These decisions, taken by a comparative handful of editors at Strasbourg, can mean much or little, according to the extent to which they can be spread through the rest of the French and German press. But it was a brave and encouraging beginning. For most Germans and Frenchmen the press is the mirror in which they see each other. It is a gain that eighteen leading newspapermen agreed to hold the mirror straight and encourage their colleagues to do the same.

The Pandit, the Pentagon and Pakistan

FROM OUR KARACHI CORRESPONDENT

THE comment is frequently made by overseas visitors familiar with both Pakistan and India that the space in the Indian press devoted to Pakistan is considerably smaller than the corresponding coverage given to Indian affairs in Pakistan newspapers. The observation is shrewd and picks out a definite Delhi attitude. India has cause for complacency and its air of detachment; after all it is, as it were, the inheritor of the elder brother's portion of a great estate. Not only did it fall heir to vast possessions and industries but also it arrogated to itself the historic name of "India." However, at least twice the calm superiority and the indulgent tolerance of India towards the younger brother, Pakistan, has been sadly ruffled. Both occasions have arisen out of a suggestion that Pakistan should align itself with influences other than Asian, by which Mr Nehru really means Delhi, and each time the Pandit has indulged in his favourite pastime of "reacting sharply" by expressing his opinion and offering his unsolicited advice in unequivocal terms.

The first occasion was the proposal emanating from quarters outside Pakistan that the country should be attracted into the orbit of the proposed Middle East Defence Organisation. India immediately took it upon itself to launch a violent campaign of criticism, cajolery and threats in which the *Hindustan Times*, of Delhi, the *Amrita Bazar Patrika*, of Calcutta, and the *Times of India*, of Bombay, joined enthusiastically. In Pakistan the reaction to the proposals was neither favourable nor inimical and took the form of "let's wait and see what it is all about and what its implications are." There was a certain amount of opposition from the Lahore left-wing press which drew the comment that it was following the Indian communist party line; the Pir of Manki Sharif and Ali Kasuri Sahib, both of the Jinnah Awami League, which provides the only real opposition to the present Muslim League government, also expatiated on the dangers of Pakistan's participation in the security arrangements of either the eastern or western bloc.

All this happened a year ago. Now once more there has been an extraordinary exhibition of hysteria in Delhi, occasioned originally by the mere mention of the possibility that the United States might give military aid to Pakistan. As regards the proposed aid itself, the extent of which is only now gradually being revealed, public opinion in Pakistan was surprisingly unanimous in its acceptance. In

this country, whenever a subject hits the headlines, whether it be as remote from Pakistan as, say, the problem of birth control in Paraguay or the exploitation of the Esquimaux, every political office-holder of whatever standing considers it his bounden duty to issue a statement to the press. On this occasion nothing of the sort occurred. The one public figure of any consequence to make a statement was Mr H. S. Suhrawardy, President of the Jinnah Awami League. He was first of all reported as saying that the proposed aid would be a "blow to national independence, initiative and effort." He also went on to say, as his political colleague the Pir of Manki Sharif on the previous occasion had said, that Pakistan's interests would be best served by keeping neutrality between the two power blocs, and that moreover no alignments should be made which might arouse hostility or suspicion in India.

Twenty-four hours later, however, after he had had a talk with Mr Nixon, the American Vice-President, who was in Karachi at the time, Mr Suhrawardy executed a *volte face* and in a special interview with *Dawn* took great pains to contradict his previous statement. He claimed that he had been misreported and that, as wheat aid had been received on perfectly honourable terms, it was possible that military aid might be available in the same way to assist in strengthening Pakistan's defence. He further stated that it could not be denied that, because of the liberal education received under the British, the people of Pakistan had developed an outlook more akin to that of the western democracies than to the Communist states of the eastern bloc. It is interesting to compare this last statement with that made a week later by the Prime Minister, Mr Mohammad Ali, for whom Mr Suhrawardy has a great personal regard, when he said that Pakistan had its own ideology and valued the state of human freedom, and that if it was found that some other country also valued the same principles, obviously Pakistan would have more sympathy with that country. When asked by a correspondent to what country he alluded the Prime Minister said that they should make their own inferences.

A Feint that Failed

As far as the newspapers, both vernacular and English, were concerned, the only objections came, as might be expected, from Mian Iftikharuddin's *Pakistan Times* of Lahore and its Urdu satellite *Imrose*, and even they toned down their objections as a result of the Indian reaction. The *Pakistan Times*, it may be remembered, was edited by Faiaz Ahmad Faiaz who is now serving a four years' sentence for his participation in the Rawalpindi conspiracy.

The initial dismay at Mr Nehru's suggestion that the Kashmir negotiations might be imperilled (a rather maladroit diplomatic feint) and the apprehension over the possible incitement of anti-Muslim feeling in India as a result of Congress propaganda, has now largely been dissipated. Broadly speaking, Mr Mohammad Ali's position has been strengthened and consolidated and his intended course of action made smoother by Delhi's violent reaction. Some years ago Barindra Ghose, brother of Arabindo Ghose and a converted revolutionary who quitted the political arena for an *ashram* in Pondicherry, passed a penetrating judgment on Mr Nehru. "Jawaharlal," he wrote, "is a clever man but there he stops: he is too pedantic to be intuitive. He ignores the human factor." The Pandit was younger then but the appreciation still appears to have some point.



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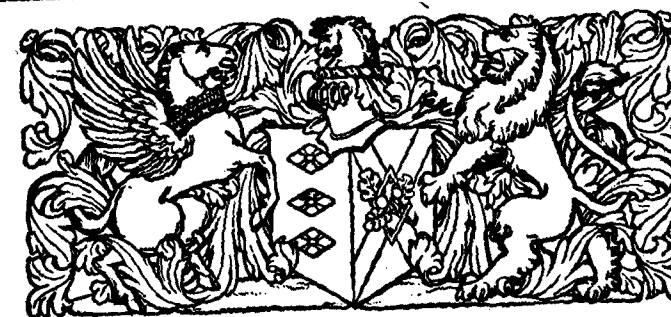
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THE BUSINESS WORLD

Monetary Policy in Step?

BY far the most striking feature of the end-year balance sheets of the clearing banks, completed this week by the Westminster Bank's figures, is the growth they reveal in deposits since the end of 1952. This increase has been common to nearly all the banks, and it has raised the aggregate of net deposits (excluding cheques and other items in course of clearing) to the new high point of £6,370 million, compared with £6,154 million twelve months previously and £6,035 million at end-1951.

Such an expansion of credit is the very opposite of what most people expected when the "new" monetary policy was launched by the revival of Bank rate towards the end of 1951. The refurbishing of the orthodox weapons of credit restraint was expected actually to reduce the volume of money, or at least decisively to end the long phase of expansion. And for a short time in 1952 it did seem that these expectations might be justified. The rise in interest rates and the toughening of bank lending policies—working in conjunction with falling world prices and with retrenchment in Britain's export markets—reversed the upward trend of bank advances and severely curtailed commercial bills.

But this steep decline in the amount of bank credit used by the private sector of the economy, amounting to almost £300 million during 1952 as a whole, was soon offset by an even more striking rise in the credit demands of the public sector; as a result, the total volume of credit actually rose by a further £119 million in that year. The Government's big demands were mainly attributable to two broad influences emerging from the counter measures to the crisis of 1951. Disinflation tended to reduce the flow of tax revenues, and played a significant part in producing a large shortfall on the domestic budget. Simultaneously, the dramatic reversal from deficit to surplus in Britain's

external payments account during 1952 meant that the Government was no longer a net borrower of sterling from overseas sources, but had instead to provide sterling for net repayments overseas. And, since the climate of disinflation already seemed sufficiently chilly, the Government saw no need to finance its needs by forcing securities upon the market instead of selling Treasury bills to the banks.

★

These special explanations of the credit expansion of 1952 do not extend, however, to the still larger expansion of 1953; for this further shattering of the expectations of end-1951 reasons have to be sought elsewhere. During 1953 the Government did not have to face on balance any large unexpected demand for finance; thanks to a big reduction in its "below-line" expenditure, the Exchequer's overall deficit was much smaller than in 1952. And the net surplus on the external balance of payments must also have been smaller. The public sector was, indeed, a large net borrower from the banking system, but its borrowings were probably less than half those of 1952.

The financing of the Government was therefore responsible for the creation of a much smaller volume of credit in 1953 than in 1952; had other factors remained unchanged, bank deposits would actually have fallen in 1953. But in fact there has been a big reversal in the credit trends in the private sector. Bank advances, which in 1952 dropped by £182 million, have in this past year fallen by only £42 million; and the banks' portfolios of commercial bills, which in 1952 were drastically reduced (from £181 million to only £66 million), have since risen by £13 million. More-

over, the year's fall in advances seems to be more than explained by a dip—temporary, no doubt—in the borrowings of the nationalised public utility industries; the latest figures to November last show a fall in these borrowings of £55 million, compared with November, 1952. Private borrowers, therefore, may have made net new demands on the banks to the extent of some £25 million, whereas in 1952 they reduced their demands by almost £300 million.

Most of the year's increase of £127 million in bank investment portfolios does not represent a net new creation of credit: the greater part of it arises from the switch out of Treasury bills and call money that resulted from the Government's funding operations of last autumn. But a moderate portion may represent true net purchases by the banks from the public, as distinct from securities supplied directly or indirectly by the Government broker; to that extent the total creation of credit for the private sector will have been larger than the estimate above.

The rise in the demand for finance by private borrowers has developed more slowly, however, than many bankers expected; indeed, it appeared mainly in the closing months of the year. The year's net movement—equivalent to perhaps 1½ per cent in the credit granted by advances and bills—is certainly small when set beside the good recovery in industrial production. Moreover, the reopening of commodity markets does not yet seem to have resulted in any notable increase in demands for bank finance.

The total intake of new credit by the private sector cannot, in any case, have been responsible for more than a quarter of the year's rise in net deposits. The balance has been directly attributable to borrowings in the public sector; and if the assumed temporary fall in the direct borrowings of the public utilities is allowed for, this would mean that the central government's demands appreciably surpassed £200 million, in contrast with some £400-£450 million in 1952. This volume of borrowing is notably smaller than the Government's apparent need for finance for purely domestic purposes, when allowance is made for net

receipts from tax certificates, defence bonds, savings certificates and from the counterpart of the increased note circulation, but without including cash issues or sales of securities through the market. The Government filled this gap, and financed the surplus on the balance of payments by borrowings from the public, as distinct from the banks. The first of these factors was smaller, and the second presumably smaller, than in 1952; but when gold reserves are rising appreciably while the total surplus is shrinking, it is difficult to guess the impact upon the Treasury's need for cash. It may have been larger on external account than the total surplus alone might imply; if so, its borrowing policy may have been more conservative than the extent of its reliance on the banks superficially suggests.

In the last analysis, however, the clue to the year's monetary experience lies in the intentions of last April's budget. Partly in consequence of the stimulus it gave, the expected expansion of production has been approximately attained. This rise in output, and its associated rise in incomes, presupposed some expansion of the volume of money; it turns out that the borrowings of the private sector from the banking system have only moderately expanded, and that quite recently. The monetary authorities have obviously taken the view that there was scope for a moderate easing of the credit situation as a whole. They have therefore thought it right for a further volume of credit to be created against Governmental borrowings. That is to say, the Treasury once again has not seen any need to resort to aggressive borrowings on the market in order to stop the rise in its demands upon the banks. There is room for argument whether the resultant policy has been firm enough—for an important slice of the additional real resources available during the year has gone to consumption and wage pressures have revived. But, in the circumstances of this past year, any such criticisms should be addressed to the stimulus budget rather than to monetary management as such. Only in the event of a very sharp adverse turn would monetary influences have been deliberately used to change course from the budget.

TABLE I.—LONDON CLEARING BANKS

At End-December	£ million			As % of Gross Deposits		
	1951	1952	1953	1951	1952	1953
Gross deposits.....	6,333	6,460	6,694	...	...	...
"Net" deposits	6,035	6,154	6,370	...	...	...
Liquid assets	2,160	2,327	2,460	33.2	36.0	36.8
Cash	531	550	542	8.4	8.5	8.1
Call Money	598	529	501	9.5	8.2	7.5
Treasury Bills	791	1,182	1,338	12.5	18.3	20.0
Other Bills	181	66	79	2.9	1.0	1.2
Treasury deposit receipts	102	...	...	1.6	...	...
Investments plus advances	3,897	3,897	3,982	61.5	60.4	59.5
Investments	1,966	2,148	2,275	31.0	33.3	34.0
Advances	1,931	1,749	1,707	30.5	27.1	25.5

TABLE II.—BANKING TRENDS COMPARED
(£ million)

	Deposits*		Advances*		Investments†	
	1952	1953	1952	1953	1952	1953
Barclays	1,303.4	1,376.1	336.9	352.2	458.9	499.8
Lloyds	1,168.0	1,203.0	309.8	289.0	406.0	410.1
Midland	1,339.3	1,414.2	364.1	343.6	447.5	486.1
Nat. Provincial	854.6	869.4	252.1	244.2	241.2	249.7
Westminster	818.7	845.3	235.6	222.7	258.5	279.9
Martins	331.2	329.9	77.1	83.2	115.5	120.2
District	248.3	251.8	54.2	60.9	88.9	92.9
W. Deacon's	140.6	142.7	36.5	37.8	46.5	50.2
Glyn Mills	69.8	70.7	21.2	14.1	22.2	22.9
Coutts	51.0	53.3	12.2	13.4	20.2	20.1
National	75.3	79.4	29.2	30.2	27.6	28.7

*Excluding balances from or loans to auxiliaries.
†Excluding "Trade" investments.

The Gnat and Nato

THE Gnat is a small jet fighter aircraft that is expected to fly this autumn; it has also become the symbol of a controversy over defence policy, the temperature of which is rising as the aircraft nears completion. The Gnat is what is ironically known as a "light" fighter; it is about the same size and weight as a Spitfire, and a great deal smaller, lighter, cheaper—and faster—than the modern jet interceptor, though less elaborately instrumented, and more lightly armed. Many defence experts hold that a fighter of this type will have to go into production, not because it is technically superior to its heavier counterparts (although it is certainly not inferior), but because it is 'so much' cheaper, easier to build, and easier to operate. There is an argument of expediency against perfectionism.

The North Atlantic Treaty Organisation's experience of attempting to plan the defence of Western Europe has demonstrated two facts about the modern fighter that tend to be overlooked. One is that few countries can afford to buy such fighters in the numbers needed to give adequate defence. The Mystères and the Hunters on order for Nato will all be paid for with American dollars, not with local currency. The second is that these fighters make such heavy demands on a country's resources of machines and man-power that they cannot be turned out in quantity in peace time, no matter who foots the bill; further, their size, weight and landing speeds suggest that they are not suitable for operation on the kind of emergency airstrips that would have to be used if Europe became a battlefield. These arguments apply with even greater force to Commonwealth countries that have to get along without American aid.

The modern jet fighter costs about £70,000 and weighs at least 16,000 lb. The Gnat, it is estimated, should cost about £25,000, weigh about 6,000 lb fully laden, and take about one-fifth of the man-hours to produce that are needed for the bigger fighter. Had the Gnat been designed in France, Belgium, or Holland or even the United States, it might by now be going ahead with the maximum official backing. But for better or worse, it is a British design that has had the misfortune to be put forward at a time when the British defence budget is big enough to provide for substantial re-equipment of the RAF with Swifts and Hunters—the only Nato country able to afford this—but not big enough to provide a margin for the development of any additional fighter types such as the Gnat. In consequence, the Gnat is being built and financed out of private funds and has no official backing.

The Air Ministry's arguments for rejecting the light fighter in principle and the Gnat in particular are difficult to refute. In the Swift and the Hunter the RAF has on order and under construction as many day

fighter machines as it is likely to need, and by comparison with these fighters, the Gnat carries fewer guns, has a smaller number of radio channels, and is generally less fully instrumented. And because the Air Ministry has no immediate use for the Gnat, the Ministry of Supply, the department that would normally finance its development and handle the production orders, has steadily refused to give the project support. But this is far from being the end of the story. The air experts admit that the Gnat, while under-instrumented, has all the essentials of a modern high-speed fighter; radar ranging, VHF radio, armour, ejection seat, and 30-mm cannon. The Gnat has been designed by Mr W. E. Petter, who was responsible for the astonishingly manoeuvrable Canberra bomber, and its prospective performance has never been questioned. The RAF concede that unless a machine like the Gnat goes into production, other Nato countries will never afford an adequate number of supersonic fighters. A second attraction is that the Gnat could operate from emergency airfields in Europe. Pressure is therefore being brought to bear on the Ministry of Supply to order a small number of Gnats as "research" aircraft in order that their performance can be put through proper Service testing.

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Meanwhile the company building the Gnat, Folland Aircraft Ltd., continues to finance the project out of its own funds. The company is a substantial contractor to the aircraft industry, and is not short of work. Its major difficulty has been to get a jet engine to meet the Gnat's exacting requirements—that is, an engine weighing around 800 pounds, but giving a thrust of between 4,000 and 6,000 pounds. (The Rolls-Royce Avon, originally built to give a thrust of 7,000 pounds and currently giving 10,000 pounds, weighs in the region of one ton.) With such an engine, the aircraft would be able to fly at speeds well in excess of Mach 1 (the speed of sound at any given altitude) in level flight and over a wide range of altitudes. No British fighter has yet attained this performance. Folland Aircraft succeeded in interesting the Bristol Aeroplane Company which is now developing a small engine, the Orpheus, to Folland's specifications. The extent of Bristol's commitment in this project is uncertain, but there are indications that the engine might eventually get the Government support at present withheld from the Gnat, since there are a number of applications to which the engine could be put. On this basis, Folland has calculated that the company could produce Gnats at the rate of 50 a month by 1956, at a price of £25,000 apiece, fully equipped.

A twist has been given to an already complicated

situation by the growing interest shown in the War Office and the Admiralty in the Gnat. The Navy needs light fighters on its smaller carriers, and while the Gnat in its present form has too high a landing speed for carrier operation, the possibility of using it as the basis for a Navy fighter is being studied. The Army's interest in the Gnat is for the ground support of troops. The armies in Europe need cover from 1,000 or more front-line ground attack fighters. In the past, day interceptor fighters have been specially modified for this rôle, and in the normal course of events, Swifts and Hunters would be similarly adapted when they had been superseded by improved interceptors. The Air Ministry finds this an economical way of getting two lives out of its fighters, but the catch, from the Army's point of view, is that there may never be enough Swifts and Hunters in service to provide, ultimately, the ground attack strength that the Army needs. Nor will those aircraft be

taken off interceptor duties for several years. Strongly supported by the British element, the Nato Supreme Headquarters at Fontainebleau has decided that the only way to get adequate fighter support is by drawing up and publishing its own requirement for a light fighter for ground attack duties. This was completed only a few weeks ago,

and it is a requirement that the Gnat could easily meet.

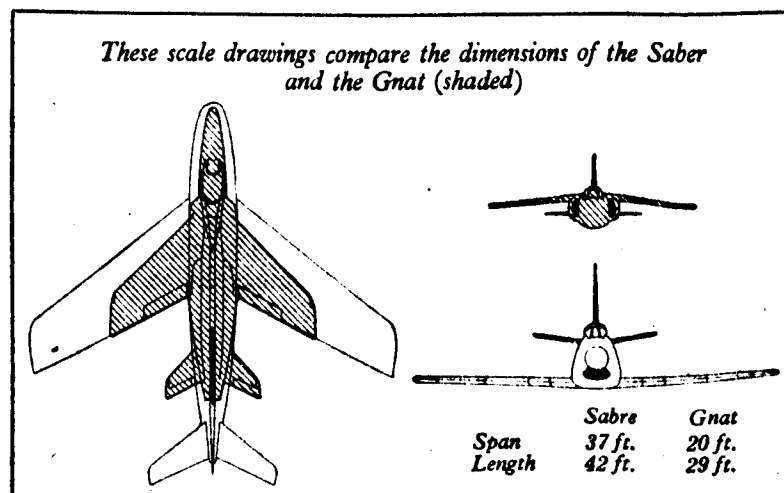
A new factor entered the scene with the arrival of a team of American experts from Washington. A clause slipped into last year's Mutual Security Act provided a sum of \$40 million to finance the development of "special weapons" in Europe, which would contribute to the efficiency of Nato. The money must be allocated, but not necessarily spent, before the end of the American financial year in June. The experts have been studying a good many projects including several proposed by the Ministry of Supply—and they have also studied the Gnat. If the aircraft seems promising, Washington would have a strong interest in seeing it developed as rapidly as possible. The smaller countries in Western Europe are looking to Washington to provide them with the military equipment that they need to meet their Nato commitments, and it would make a considerable difference to the American taxpayer if those commitments could be fulfilled with Gnats costing £25,000 in place of Hunters and Swifts costing £70,000 to £100,000.

Folland Aircraft is doing something which has become pretty rare in the aircraft industry. It is

developing, without any assistance from the Government, a combat aircraft in which it has faith—much as the de Havilland company years ago had unsupported faith in the Mosquito. If the company can secure an initial production order from either the British or American governments, then it can be certain of an almost inexhaustible market among the less prosperous European countries and in the Commonwealth where defence costs are a major concern. Developments in radar design in the United States have produced sets small and light enough for the Gnat (or the Swift or Hunter) to carry; the aircraft could also be adapted to carry guided missiles and the company will certainly attempt to establish it as an interceptor and not only a ground-support machine. Much depends, inevitably, on Bristol's progress with the Orpheus engine. And if, in the end, no orders can be secured, the company stands to lose the several million pounds that it costs to develop even a small aircraft.

These and other signs during recent months that the British aircraft industry is being more venturesome in development risks must be welcomed unreservedly. But as the story of the Gnat shows, enterprise of this kind can create awkward problems for Government departments that have already sanctioned

substantial capital investment in production lines for other projects with which the new ventures compete. But whether the Ministry of Supply's present policy towards the Gnat is correct in view of the machine's tactical, if not strategic importance, is a matter on which many experts in each of the services are prepared to express doubts. The Gnat's buzz is likely to become increasingly irritating as the time for its first flight approaches in the autumn.



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Business Notes

A Bait for Bankers?

DOUBTS about what the Treasury would do to replace the £412 million of 2½ per cent National War Bonds (1952/54), due for repayment on March 1st, are now set at rest. Its decision—which fits nobody's guess—gives a glimpse of the plans that the authorities may have in mind for the gilt edged market this year. Holders of the maturing bonds are invited to signify before February 8th whether they will convert on March 1st into 3½ per cent Conversion stock 1969 plus a cash payment of £1 per cent making the effective issue price £99. No cash subscriptions are invited. Hence no investment potential is being withdrawn from the market; and, indeed, a large slice of the maturing stock is already in official hands. The authorities could therefore be bold in fixing the terms distinctly "above" the market—and the date fully as long as the banks are likely to accept. The new stock, with its appeal of a single date, is designed ultimately to become a bankers' stock, though at present it is probably too long for some of them.

The authorities were obviously confident that they could pull the medium-dated range of stocks up to their level; and this confidence has been justified. Medium-dated stocks did rise after the announcement, the sharpest advance being in Gas 3½ per cent 1969-71 which rose ½ to £98½. In the assented form the maturing War bonds are now quoted at around £99 which supports the idea that the new stock will start near the issue price. The market reaction indeed was favourable to everything except perhaps the name of the new stock which some people disliked because there is already a 3½ per cent Conversion stock (1961 or after) in the market. The big attraction is obviously the single date. A fifteen year 3½ per cent stock of this kind is an opportunity that the Treasury seldom offers. Its yield to redemption in March 1, 1969, is £3 11s. 9d. per cent. At the time of the announcement the yield on the slightly shorter 3 per cent Funding stock 1966-68 was £3 8s. 8d. to redemption in 1968 and on the 3½ per cent Gas stock 1969-71 £3 16s. 9d. to redemption in 1969.

The Treasury is certain of acceptances from well over half the outstanding £412 million of maturing War bonds for the Government departments are big holders and have been buying recently. The balance is held all over the country, mainly in small amounts, for the stock was originally a wartime "tap" issue. But holdings in the money market—for whom the replacement stock is much too long—are believed to be quite small. Any guess of the amount of new stock that will result from the operation is obviously dangerous, but the market is anticipating a total of over £300 million. Much if this will start life in the Government departments and gradually become available in the market. On that assumption the Treasury is com-

fortably in hand since the conversion operations of last October left a surplus of around £300 million. The market should therefore be clear for some time for the capital needs of the nationalised industries and for the resumed flow of Dominion and Colonial borrowing that the Sydney conference foreshadowed.

No Blast of the Trumpet

THE tariff walls that surround the United States will not crumble before the toot of the Randall Commission's trumpet. But in spite of an unpromising start there is some solid and sound advice in the majority report though it is vehemently countermanded by the protectionist spokesmen on the Commission. The suggestions fall under three main headings. The first proposal is an amendment of the Buy American Act to exempt from its provisions the tenderers from other nations "that treat our bidders on an equal basis with their own nationals." Some harsh things are said in the report about the persistence of this anti-depression measure of 1933 into an era where it has no logical place, but the proposed concessions are limited to those countries that can acquit themselves of any discrimination against the United States—and they are few. In the second place the Commission recommends a fundamental review of tariff schedules and customs formalities. It admits that the present complexities of customs administration are a significant deterrent to imports into the United States and that they create irritations which are detrimental to the foreign relations of the United States.

Thirdly, the Commission proposes a three-year extension of the Reciprocal Trade Agreements Act which embodied the President's powers to engage in tariff negotiations. The President should be authorised to reduce existing tariff rates by not more than 5 per cent of the present rates in each of the first three years of the new Act. That will overcome the serious obstacle to tariff negotiations with the United States which arises because on certain important items the United States have already yielded the maximum of present permissible concessions, namely 50 per cent of the rates in effect on January 1, 1945. The Commission also suggests that the President should be authorised to reduce tariffs by not more than half of the rates in effect at the beginning of 1945 on products which are not being imported, or imported in negligible volume, into the United States. This concession could be made "with or without receiving reciprocal concessions." For all other reductions of tariffs, however, the principle of reciprocity is to continue to apply. The Commission suggests that in an annual report to Congress on the trade agreements programme, the President should announce

what reciprocal concessions have been obtained in exchange for the reductions in the American tariffs. The Commission re-emphasises this point by declaring "we do not believe that unilateral action by the United States will solve the world's trade problems."

Apart from the implications of the complete dissent from these tariff recommendations from two members of the House of Representatives, who hold important positions on the Committee that will consider any relevant legislation, the main disappointment with this section of the report must lie in the emphasis given to this principle of reciprocity. Given the inordinately high level from which the reduction in American tariffs began and given also the structural surplus in the United States balance of payments to which the Report makes repeated reference, it seems strange that the Commission should so consistently refuse to face the logic of its own reasoning—the need for some unilateral tariff concessions on the part of the United States.

Caution on Convertibility

ONE of the most revealing and significant sections of the Randall Commission's Report is that dealing with progress towards currency convertibility and the part that the United States might play in helping that movement. It is, incidentally, the only section of the report unencumbered by notes of dissent—perhaps because the relevant passages are addressed not to the United States but to the outside world. The report defines the two views on inconvertibility; one regards it as a short-term problem requiring for its solution little more than the curbing of inflation; the other sees inconvertibility as a problem that emerges from structural and deeper-seated changes in international trade and payments already becoming apparent before the war.

The Commission leans to the second view. Although it agrees that general economic conditions required for currency convertibility are more nearly present today than at any previous time since the war, it still envisages progress towards this goal as a sedate movement in which each step should be consolidated before the next one is taken. The Commission would deplore a mere technical convertibility bolstered up by restrictions on trade; it believes that the removal of restrictions on payments and on trade should go hand in hand. It does not favour a "dash" for convertibility, or letting a currency "find its own level"—which might all too easily lead to unrestrained inflation. It is, however, sympathetic to the concept of a "floating rate" by which it presumably means a wider tolerance of exchange fluctuations on each side of the parity. Above all, it stresses that before any move into convertibility can be made by European currencies, and particularly by sterling, a considerable strengthening of reserves must be achieved. It points out that even now sterling finances about 40 per cent of the trade of the world and if it were made convertible it would be exposed to commercial and speculative pressures to a far greater extent than any other European currency.

The necessary strengthening of reserves, says the Commission, could be achieved by more active utilisation of the International Monetary Fund's holding of gold and

convertible currencies which now amount to \$3,300 million. A second means of strengthening foreign reserves would be provided by the extension of stand-by credits or line of credit arrangements to foreign central banks by the Federal Reserve system—a proposal that drew no reservation or dissent from any member of the Commission.

The Commission also warns Europe not to make any move towards convertibility that might wreck the European Payments Union before something better can be put in its place. Such comment on the convertibility problem is highly revealing as a reflection of official and well informed views gleaned from witnesses who were examined by the Commission during its visits to Europe. A careful reading of this section of the Report will provide the best available information on the character of such official convertibility plans as exist in Europe today. It will also reveal how much the United States have learned since 1945 when their highest authorities were instigating not so much a "dash" as an isolated "crash" into convertibility by sterling.

Against Commodity Agreements

THE Commission is opposed to international marketing agreements as a means of stabilising commodity prices. It believes that such agreements cannot solve the problem of instability, and that they "introduce rigidities and restraints that impair the elasticity of economic adjustment and the freedom of individual initiative, which are fundamental to economic progress." Another objection is that the types of agreement so far tried or proposed "involve commitments which could lead, if extensively employed, to very great outlays of American government funds in certain contingencies, of indeterminate amounts." The Commission is therefore also against proposals that the United States should itself operate buffer stocks to stabilise world prices. "Experience with the costs of efforts to stabilise certain commodity prices within America are an indication to the indeterminability of the costs of similar programmes on a world-wide scale."

The Commission doubtless had in mind the cost of subsidising exports of American wheat under the International Wheat Agreement. This agreement, it states, has contributed little to solving the wheat problems of America and the world at large. The criticism is surely confused. The only remedy for the massive surplus of wheat is for the exporting members to produce less or sell more. The cost of subsidising America's exports of wheat is simply a function of its high domestic support price, which—as the report complains elsewhere—has encouraged over-production in America and abroad. US government funds are not committed in the new International Sugar Agreement, nor would they be in the proposed tin agreement, both of which, incidentally, attempt to adjust production to demand by controlling exports and stocks in the producing countries.

The Commission would attempt to bring greater stability to commodity prices by: trade liberalisation; diversification of the economies of countries excessively dependent on a few commodities; avoidance of actions by America in its own commodity control and stockpile programmes that would have avoidably disruptive effects on prices; continued international co-operation to improve knowledge of

world supply and demand, and to explore possible means of lessening instability of prices; and policies that would temper the fluctuations in the American economy. These proposals are admirable, familiar and almost certainly inadequate. Two members of the Commission, Mr McDonald, president of the steel workers' union, and Mr Whitney, a New York financier, share these doubts, and state that commodity agreements that embody flexible price policies and take account of long-term trends of supply and demand may be worth while.

Second Thoughts for Steel Shares

BY all reasonable standards, the offer of Lancashire Steel shares to the public has been a failure, and much worse than most people foresaw. Clearly, the 4,500,000 £1 ordinary shares were over-priced at 22s. in face of the discount on United Steel ordinary shares. But the 4,500,000 5½ per cent preference shares at 21s. were expected to attract the institutions and some personal funds as well. In fact, apart from underwriters' applications, only 500,000 of the ordinary shares were applied for and only 2,700,000 of the preference shares. Of these, applications for 1,600,000 preference and 400,000 ordinary come from former shareholders. The offer was technically "oversubscribed"; since underwriters had to back their commitments with firm applications for the same number of shares, that follows automatically. But the fact, as distinct from the appearance, is that after small applicants and former shareholders had received full allotments, underwriters were required to take up 89 per cent of their quotas of ordinary shares and 42 per cent of the preference shares.

There must now be a decent interval free of steel offers, and some clear thinking before Sir John Morison and the City consortium attempt to sell back another company to the public. The period of market indigestion with Lancashire Steel may not last long, for there are so few "stags" wishing to sell. Already the preference shares, which touched 1s. discount on Monday, have rallied to around 1½d. discount. The ordinary shares have been down to 2s. 6d. discount and are now around 2s. 1½d. discount.

In the interval which must now elapse two points seem to call for thorough reconsideration. First, what is the proper yield for a steel share against the background of Labour's renationalisation threat? Lancashire Steel was resold to the public at a profit of roughly £14 million and the preference shares have been created with a right to redemption at 22s. No one can pretend to envisage how renationalisation would be contrived if it ever were enacted; but there is at least a possibility that the whole £14 million might fall on the 4½ million ordinary shares, involving a capital loss of over 5s. per share. That possibility, remote as it may be, costs something in terms of current yield. Secondly, is there any real merit in requiring underwriters to put in firm applications equal to the amount of their underwriting? It does not increase the funds that underwriters are prepared to earmark for investment in steel shares. And the method hardly achieves even good window dressing; for some part of what the institutions are now taking up as underwriters represents their genuine

requirement as investors. If these shares had been taken up on free applications along with those from the public, the result would have looked better.

"Commitments" and Coal

IN return for the wage increase of which it has recommended acceptance this week, the National Union of Mineworkers would promise nothing more specific than that its leaders will have one extra talk with the National Coal Board every three months. Even if its polite agreement as to the desirability of an extra 5 million tons of coal from the mines this year were the "commitment" that the board would like to suggest, the union would not be promising anything remarkable, nor is there any suggestion that anything would happen if its "commitment" should not be honoured. An increase of some 5 million tons in deep-mined output this year is roughly what might be expected from the recent trend of output, other things being as equal as they ever are in coal; last year, though extra holidays cost the industry about 5½ million tons of output, the miners' final total turned out to be only about a million tons lower than the year before.

The wage increases will cost just under £10 million a year, adding about 2½ per cent to the industry's wage-bill; so an increase of 5 million tons or rather more, if it occurs, should neatly bring the labour cost per ton back to its present figure. The Coal Board, therefore, was able to hope that no general increase in prices need result—though it covered itself by mentioning rises in other costs, such as likely increases in the cost of more elaborate safety measures under the bill now in Parliament. Once again the board emphasised that it did not intend to raise the price of coal to "industrial consumers" as a result of this wage increase; and once again it reserved its right to review the prices of its different coals "from time to time."

This increase in coal costs, therefore, is for the present broadly to be absorbed by the industry, and the miners' wage increase will not cost the coal consumer more immediately; though the railwaymen's will, since the impending increase in railway freight charges would add perhaps 2s. to 4s. a ton to the delivered price of coal. Any wage increase that can in some way, however tenuous, appear to be linked to productivity has perhaps some virtue today. But this one should not be allowed to set the precedent that the miners are entitled each year—in advance—to whatever benefits may accrue from all the resources that are ploughed into the coal industry; their own skill and effort are not the only contributions.

A Banker on Convertibility

THE last movement in this year's symphony from the bank chairmen has been heard this week; it carries to fitting crescendo the warning notes about exports that sounded through the earlier phases. Lord Aldenham, of

the Westminster Bank, points out that in 1953 Britain paid its way only by a narrow margin, yet it will require "our very best efforts" to better this margin in 1954. Increasing competition in export markets, he emphasises, is "now no distant menace." There is disturbing evidence of the energy of the "united" drive of employers and employed in Western Germany; there are "many instances" in which British goods have been priced out of even their traditional markets; and there still are difficulties over Britain's delivery dates.

Lord Aldenham's other main theme, the question of convertibility, may seem less fitting to some of his brother-chairmen. One of them had pleaded for convertibility "as soon as practicable" and others had expressed regret at the delay. But Lord Aldenham bluntly says that "it does not seem likely that full convertibility between the pound and the dollar would help us much at present." Unless Britain's shop-window was as attractive to the world as the American shop-window, it would imply either a depreciation of the pound or "an even more severe restriction of dollar imports than we suffer from now." He sees some favourable signs in the progress of Britain's exports, notably of cars, to North America; but is anxious that Britain should "not again risk the disastrous experiment in convertibility of 1947."

The Westminster Bank's decision not to raise its dividend is explained in approximately the terms indicated in these columns a fortnight ago. Lord Aldenham recalls that the Westminster has long paid (and still pays) a higher nominal rate than most of its competitors, and he then draws attention to the fact that the temporary depreciation shown on its investments at mid-1952 (when the book loss sustained during the half-year was not "minimised" by any writing-down) represented a high proportion of its published reserve at that date. This "so recent and so sharp reminder of the way in which the market value of even British Government securities may fluctuate" convinced the board that there was no justification for raising the dividend. The "best interests" of shareholders were served by strengthening inner and published reserves.

To Plough or Not to Plough?

IN the past few days investors have had the advantage of two contrasting views on how much of a company's earnings should be distributed and how much ploughed back into the business. Sir Harry Pilkington, president of the Federation of British Industries gives one view, Lord Balfour of Burleigh, chairman of Lloyds Bank, the other. The banker and the industrialist start from the same point: there is a big need for the investment of fresh savings in industry; there is no certainty that the right amounts will be forthcoming when and where they are needed. From that point, the two part company. It is the industrialist who pleads for low dividends and a compulsory holding back of shareholders' money, the banker who calls for liberality.

Says Sir Harry Pilkington: "We must persuade our own shareholders to take the long view." He believes that industry will continue to plough back as much of its profits as it can and that that is all to the good. "The perpetual demand for greater resources is most profitably met from

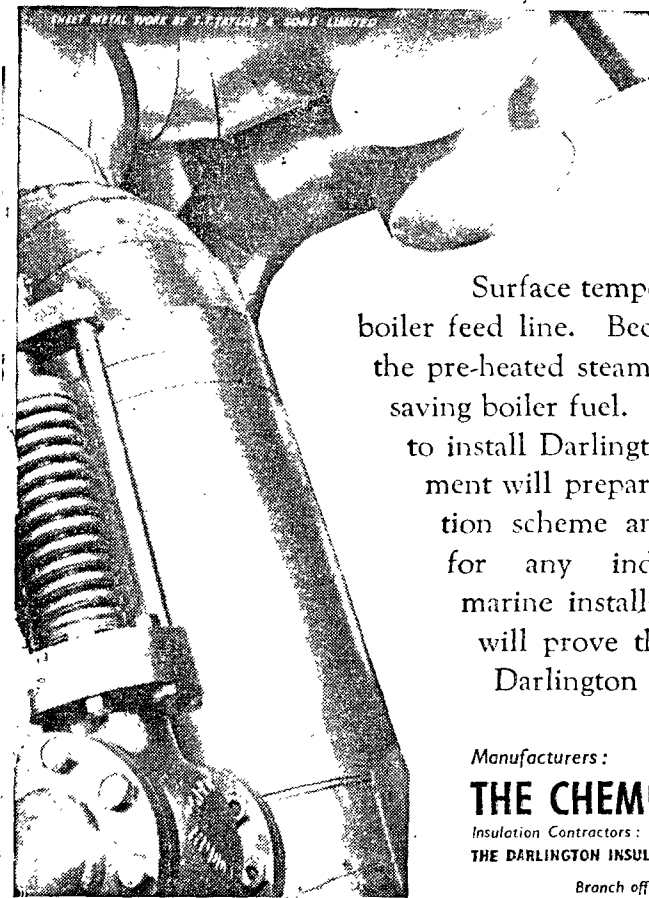
within by the retention of profits, even in some cases of all the profits." Lord Balfour takes exactly the opposite view. He says that the excessive degree to which industry now has to depend on the ploughing back of profits has drawbacks. "Once a business has made adequate reserve provisions it is much the best thing, under normal conditions, that profits surplus to requirements should find their way back, via a healthy investment market, to the enterprises that can make the most profitable use of additional capital, and whose growth—or even foundation—may well be frustrated under present conditions."

It must be admitted that the distortions of the tax system are at present working for Sir Harry Pilkington's view and against Lord Balfour's. Retained profits bear heavy taxation. But distributed profits bear also distributed profits tax and often surtax, and the potential sinews of new investment are thus diverted from private risk financing to the public sector of the economy. There also remains plenty of room for a difference of view about what constitutes adequate reserves. The capitalist in power is apt to use a different standard from the minority investor without intimate responsibility. Shareholders of J. Sears have just discovered that even a take-over and change of masters does not always release as much as had been hoped for. Still when all allowance has been made for those factors the average investor would prefer to take his dividend and do his own investing rather than submit to the course of education and compulsory investment which Sir Harry Pilkington outlined to his Scottish audience last week. And, as Lord Balfour pointed out, excessive ploughing back gives no guarantee that expanding industries will get their proper share of available savings or that new enterprises will be able to find capital at all.

FBI Meets World Bank

THIS is the season when the bankers express their views on industry and trade. No one will complain if for once the industrialists have found occasion to express their views on banking. Least of all will the bankers complain, when the result turns out to be a fine testimonial. In an atmosphere of doubts about the fair distribution of the orders that spring from the operations of the International Bank a four-man group from the Federation of British Industries including Sir Norman Kipping, the director-general, went to Washington, visited the headquarters of the bank, and presented their report on Wednesday. Introducing it Sir Norman Kipping frankly admitted that they had gone out in an atmosphere of "allegations of practices that were biased" and that they had been converted. The most vital conclusion reads: "We have no doubt about the bank's impartiality of outlook." In detail they apply that testimonial of impartiality specifically to the department of General Wheeler, the Engineering, production to demand by a powerful effect on the flow of the producing countries. schemes. On one item only—*to bring greater stability there still a suspicion of addiction to speculation and diversification.*

Though the visiting group has come back converted their report is certainly of value: it will receive a wide distribution through industry in this country, which is itself worth while. There remain important suggestions of detail, though many



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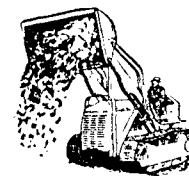


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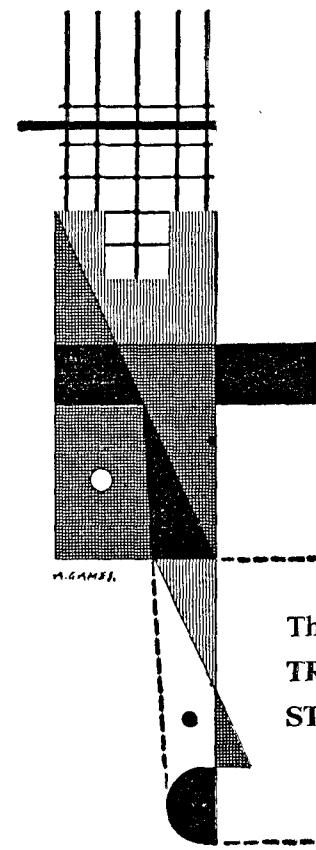
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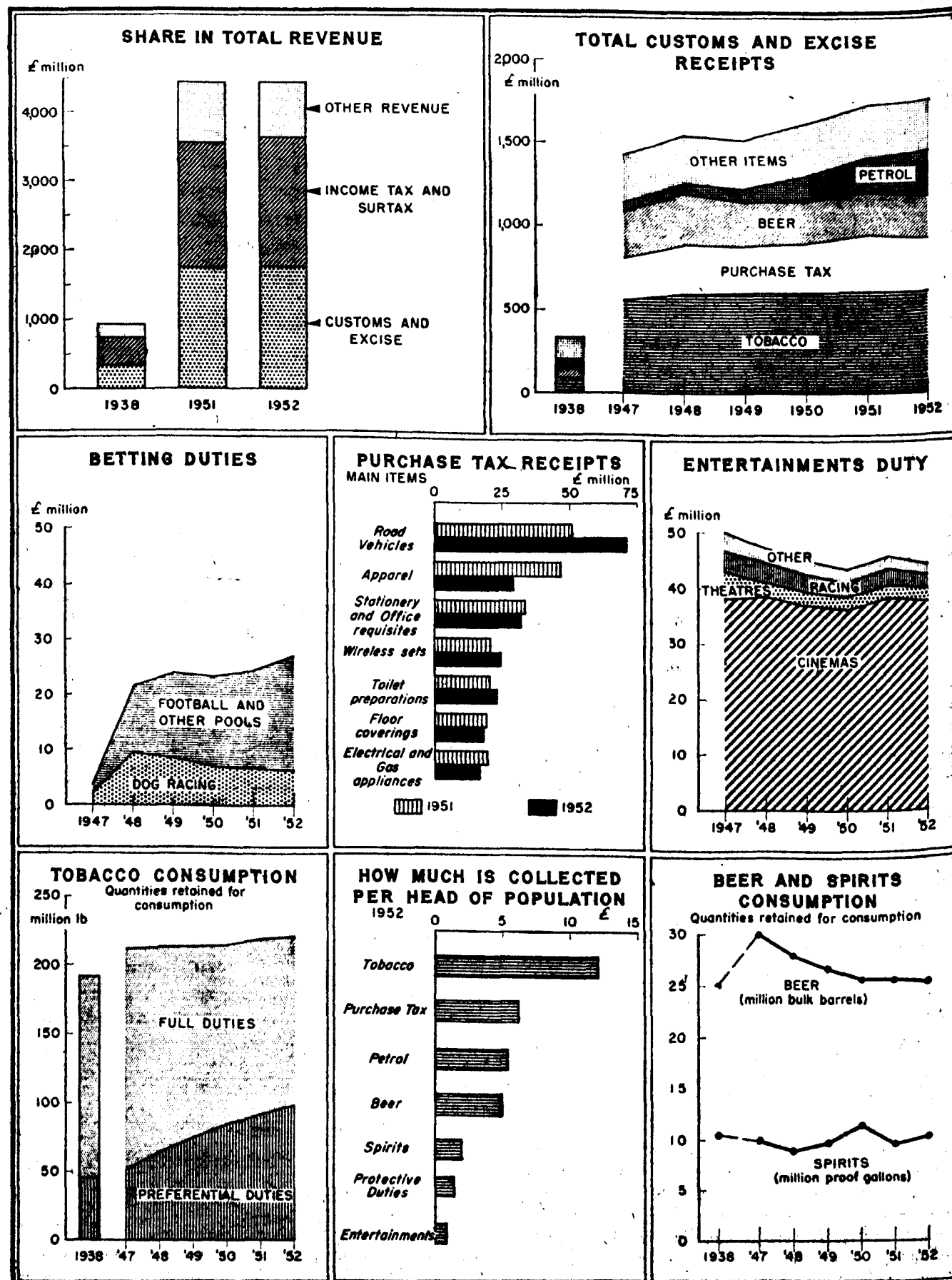
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Source: Forty-Fourth Report of the Commissioners of Her Majesty's Customs and Excise. Cmd. 9031.

ECONOMIST, JANUARY 30, 1954

of these have to be addressed to the British Government rather than to the International Bank. They include a plea to the Treasury for "as open a policy as possible" on the use of the British sterling subscription to the bank's funds. They also reveal the regrettable fact that the bank's able and internationally-recruited staff includes no British engineer; no British engineer of sufficient qualifications has been put forward—which presents a useful job for the FBI and the British authorities to tackle.

Purchase Tax Changes

CUSTOMS returns for 1952-53 show, for the first time, the effects of the "D" scheme on purchase tax revenue. At first sight, they appear to bear out the textile traders' argument that sales resistance to goods attracting tax is on the increase. While the yield of Customs rose by £12 million to £1,764 million, total purchase tax receipts dropped from a peak figure of £338 million in 1951-52 to £315 million for 1952-53, and the amount paid on clothing and textiles (including shoes) fell from nearly £80 million to £45.5 million of which only £26 million came from textiles. But a drop in receipts would have been inevitable, since the rate of tax on textiles was cut, shortly after the 1952 budget, from 33½ per cent on made-up clothing, and 66½ per cent on piece goods to 25 and 50 per cent respectively. Moreover, 1952-53 covered a period of depression in the textile industries during which retail sales were indeed recovering, but the movement of goods through the hands of the "registered traders" who collect the tax from retailers were decidedly slow and traders' stocks of taxed goods were kept down to levels barely adequate to support normal trading. A high proportion of the stocks being unloaded onto the market during that period also consisted of erstwhile "utility" merchandise that had attracted no tax at all. The drop in receipts from textiles, however, looks as if it has been substantially more than the £10 million that the Chancellor estimated that he would lose during 1952-53 (£17 million in a full year) when he introduced special tax concessions in May, 1952.

The effects of the minor recession in consumer trades can be seen in the purchase tax receipts for most other types of goods. In almost every group, they were lower than in 1951-52, the only noticeable exceptions being radio and television, up from £20.9 million to £24.6 million as

1951-52	Goods chargeable at	1952-53
£ mn.	Per cent	£ mn.
198	25	135
94	33½	5
46	50	112
	66½	42
	100	315
338		

television reached new areas, and road vehicles (including cycles). The yield here rose from £50.8 million to £71.3 million as more cars came onto the home market. The only other category to show an improvement was toilet goods and perfumery, where the tax receipts rose £2.4 million to £23.1 million.

Car and radio sales (both attracting tax during that period at 66½ per cent) made a big contribution to receipts

during 1952-53. Tax concessions made in the 1953 budget, when the rates on non-textiles were cut by one-quarter bringing them down to 25, 50 and 75 per cent, were expected to cost the exchequer no more than £60 million in a full year. The table suggests, however, that unless retail sales of taxed goods have risen considerably, the cost to the Exchequer may prove substantially higher.

Back Duty Squeeze

AMID the mass of statistics in the report (Cmd. 9030) of the Inland Revenue Commissioners for the year to March 31, 1953, the commissioners have revealed what blood their probe into savings and deposit accounts has drawn. From the statistics reproduced in the accompanying table it is clear that this investigation has had some success in clawing back tax payments from those who had failed to declare their full incomes. Nearly 10,000 cases were dealt with in 1952-53, compared with just under 5,000 in the previous year. Over £11 million, compared with nearly £9½ million, was collected in back duty; nearly £4 million of this total charge represented the penalties imposed on the culprits. In addition, the District Inspectors settled over 136,000 "small cases" in 1952-53, compared with just over 5,000, and collected nearly £5.4 million in back duty, compared with only £421,000 the year before.

BACK DUTY COLLECTION

Years ended March 31	Number of Cases	Total charge £'000	Penalties* £'000
1939.....	2,774	3,131	Not known
1948.....	1,411	4,190	967
1949.....	1,802	4,432	1,060
1950.....	1,886	5,054	1,291
1951.....	2,838	7,470	1,735
1952.....	4,962	9,430	2,446
1953.....	9,836	11,045	3,865

* Included in total charge.

Blood, then, has been squeezed from the smaller stones. This was made possible by the 1951 Finance Act, which gave the Inland Revenue the power to obtain from the banks and savings banks (including the Post Office Savings Bank) the names and addresses of those who received more than £15 of deposit interest not taxed at source. It was not until 1952-53 that the Inland Revenue could take full advantage of this investigation and then it had to employ more inspectors to tackle the job. But it would be premature to pat the commissioners on the back for this achievement. Counter measures against tax evasion started late and cannot yet be over. And the Inland Revenue could enter the fight only after it had been provided with new powers of inquisition.

A Blow to the Heart

IN their latest report the Inland Revenue Commissioners have revealed for the first time what proportion of the assets of estates caught in the death duty net represent

shares in private companies, as distinct from quoted securities. The appropriate statistics are reproduced in the accompanying table. They must be treated with caution, not least because they are in a sense part of the Inland Revenue's answer to the long list of memoranda recently submitted to the Chancellor on estate duties.

The estates have been grouped in the order of their net capital values. Hence, the distinction between the estate that consisted almost entirely of liquid assets or quoted securities and the estate made up of private company shares or property has been entirely lost. The statistics in their present form would suggest that the smaller estates (on which the duty is light) have substantial liquid balances and that, therefore, it was not necessary for the executors to sell, say, shares in a private company or some piece of property to meet the duty. As a superficial generalisation this cannot be far off the mark. But it cannot hide the fact that each individual estate may differ widely from the average pattern. Some even in the low-duty categories doubtless consist of little more than assets (or shares) in a family business, so that death may force a sale of shares perhaps jeopardising a family's control.

DISTRIBUTION OF ASSETS

Range of Net Capital Value of Estate	Private Co. Shares	Quoted Securities	Liquid Assets*	Trade Assets	Land and Property†	Rate of Duty
2,000-5,000	1.8	25.9	34.5	5.3	34.5	1.2
5,000-10,000	3.4	31.6	29.1	5.1	30.8	3.4
10,000-15,000	4.0	37.2	28.2	4.7	25.9	6.8
15,000-20,000	6.5	40.6	25.0	3.6	24.3	10-12
20,000-25,000	7.5	43.3	21.2	4.2	23.8	15
25,000-30,000	6.0	45.4	21.8	4.3	22.5	18
30,000-40,000	8.2	46.9	20.4	3.3	21.2	21-24
40,000-50,000	8.6	50.3	18.3	2.9	19.9	28-31
50,000-60,000	8.4	53.0	17.9	1.9	18.8	35
60,000-80,000	8.4	53.8	18.4	2.5	16.9	40-45
80,000-100,000	10.7	52.1	17.6	1.0	18.6	45
100,000-200,000	12.3	52.5	16.8	1.3	17.1	50-55
200,000-300,000	16.2	49.0	12.8	3.1	18.9	60
300,000-500,000	11.2	51.7	13.6	0.4	13.1	65
500,000-1,000,000	19.1	47.0	12.7	1.9	19.3	70-75
1,000,000-2,000,000	26.2	30.7	20.8	2.7	19.6	80
Over 2,000,000	30.3	39.5	8.1	0.2	21.9	80
All estates	7.0	40.1	24.1	3.7	25.1	...

* Including cash, insurance policies, building society shares and deposits, mortgages, bills, etc.

† Including land, household goods, house property, business premises, and other real and personal property.

Even with this grave shortcoming these statistics indicate the threat that death duties can impose on a private company, whose shares or assets do not command a ready market. As the estate grows larger, the more menacing does this threat become. The table shows that at the very best many of the estates worth more than £200,000 have to exhaust all their liquid assets to pay the duty, and few families would be willing to lose all the liquid assets before touching the business assets. Right at the top of the scale the greater part of assets of every kind must be realised to pay off the duty. Thus in the larger estates death duties can force a sale of business assets. And if this sale leads to a loss of control it has dealt a severe blow to the heart of the family business in this country. The blow will be even harder when the next generation of owners dies. With the high rate of tax on incomes this generation will be unable to build up large personal estates outside the business.

Discount Market Portfolios

THE accounts of the "Big Three" discount companies for 1953 reveal, as expected, a notable expansion of their bond portfolios and a contraction of bill portfolios. The aggregate of the former has risen by £55.2 million to £240.8 million, the highest figure ever shown, while the aggregate bill portfolio has dropped by £71.1 million to £327.7 million and thus is almost 25 per cent below the peak reached four years ago. Although these trends, as the accompanying table shows, are common to each of the houses, they should not be regarded as measuring the change in the pattern of portfolios during the year, since important movements are known to have taken place towards the year-end. It will be noted that by far the greater part of the aggregate fall in bill holdings, as well as a large part of the rise in bond holdings, is represented by the Union Discount. The investment holdings of this house have been virtually restored to the high level shown at end-1951; but in 1953, as in 1951, an important part of the rise resulted from market conditions late in the period. The bill holding, similarly, was affected by abnormally heavy purchases by the banks during December.

There is no doubt, therefore, that, despite the growth of "outside" competition, the discount market's turnover of Treasury bills during the year showed no such decline as the balance sheets might seem to suggest. Indeed, the chairman of the National Discount discloses that his company enjoyed a record turnover. At the level of rates ruling

DISCOUNT MARKET RESULTS, 1951-53 "BIG THREE" DISCOUNT HOUSES (£ million)

At Dec. 31st	Union	National	Alexanders	Total
Bills:—				
1951.....	150.7	102.9	88.7	342.3
1952.....	203.7	115.1	80.0	398.8
1953.....	141.5	111.2	75.0	327.7
Investments:—				
1951.....	99.0	55.9	59.3	214.2
1952.....	65.4	67.8	52.4	185.6
1953.....	97.1	75.2	68.5	240.8
Loans & Deposits:—				
1951.....	247.9	155.3	144.9	548.1
1952.....	266.9	180.4	129.4	576.7
1953.....	244.9	186.3	140.6	571.8
Capital & Res.*:—				
1951.....	8.6	5.5	4.1	18.2
1952.....	8.7	5.6	4.1	18.4
1953.....	8.8	5.8	4.3	18.9
Net Profits:—				
1951.....	£000's 331.5	£000's 300.3	£000's 146.6	£000's 778.4
1952.....	322.0	297.1	176.6	795.7
1953.....	367.9	369.6	281.6	1,019.1

* Including carry forward.

for bond money before the reduction of Bank rate, bond business did not look attractive by comparison with business in bills, and portfolios probably tended to decline in the first half of the year; they have since been substantially built up. During the greater part of the year, turnover of commercial bills remained at a very low level, but towards

Advertising and Friday

Payday—full employment and a full pay packet for everyone. Public demand is keeping the works at full capacity.

But the economists have a spectre called "deficiency of effective demand". In plain terms people buy less than the works produce.

The machines slow down, profits fall, individual firms and trade as a whole descend into the trough of the trade cycle.

Against this, advertising keeps sales moving. Production flows. People hold their jobs. Firms retain their trained and valuable labour forces.

In modern economic theory advertising is not an uncompensated item in production costs. By creating mass demand it makes possible large scale production with lower prices. And at the same time helps to stabilise demand at the level needed to maintain employment.



Advertising means

Issued by the
Daily Express
in the interests of
British Industry

better goods for more people



Glayva
SCOTCH LIQUEUR

Edinburgh, rich in architecture and in the natural beauty of its setting, has been called the modern Athens. It has also many distinctive arts and crafts amongst which is the making of "Glayva" a distinguished Scotch Liqueur which has made many friends far beyond its borders.

RONALD MORRISON & CO. LTD. EDINBURGH



THE FAMOUS 'MOSSBROS'

Mackintosh

All sizes £10.10.0. Also a wide range of gaberdine raincoats.

MOSS BROS
OF COVENT GARDEN
THE COMPLETE MAN'S STORE

Junction of
Garrick & Bedford Streets, W.C.2
Temple Bar 4477
AND BRANCHES

Why do we do it?

IT MAY PUZZLE SOME READERS of these advertisements to know why—since mass circulation is not the aim of the Manchester Guardian—we advertise at all. Here are our reasons.

Truly, we do not seek the millions—not they us. The Manchester Guardian is for the relatively few, the influential 'thinking minority'. But not all of that minority is yet fully aware of the Manchester Guardian and of how much it offers them.

We believe that there is still a considerable number of men and women who would really appreciate the Manchester Guardian but who—because habit is so hard to break—continue with a newspaper which does not really satisfy them. These are the new readers whom we should like to enlist.

To gain such extra readers would be an obvious help to the Manchester Guardian. Equally the Manchester Guardian would be a help to these readers. Here then is a marriage of mutual interests which your newsagent will be happy to arrange.

If you have any difficulty in getting your Manchester Guardian regularly, please write to: The Manchester Guardian, Manchester.

the end of the year the flow of these bills began to respond to the sharp reduction of rates that followed the reduction of Bank rate—and perhaps also to freedom for commodity dealings.

Merchandise Marks with a New Look

THE revised version of the Merchandise Marks Act comes into operation on Monday, and with it a whole batch of new headaches for traders and their solicitors. It now becomes an offence to make claims that are "misleading," as well as those that are blatantly false, and the new Act embraces such aspects as the properties or quality of goods that the old one did not. But these admirable intentions may prove difficult to put into practice. It promises to be exceedingly difficult to define such a term as "misleading" to the satisfaction of the courts, and harder still to pin down so elusive a concept as "quality." And the new Act operates under the same handicap as its predecessor, namely that unless the offending claim is made on a trade mark, or a label attached to a specific piece of merchandise, it may be difficult to find adequate grounds for prosecution. Traders who make lavish promises in their advertising, but are more circumspect about what they print on the packet, are beyond the Act's reach.

At the same time, it is beginning to look as if large numbers of trade descriptions that industries have continued to use after changing production techniques deprived them of much of their original meaning, may now be offences under the new Act. (Furniture is a typical example.) Finally, the problem of policing the Act remains as big as ever. The Board of Trade and the Ministry of Agriculture, which share nominal responsibility for instituting proceedings when the offence seems sufficiently serious, are likely to do whatever they can to start prosecutions under the new Act during the next few months, in order to demonstrate that it has some meaning. But they are not likely to maintain this degree of interest for long, and few private organisations have the funds necessary to bring many cases to court unless the magistrates begin to award them higher costs.

Support for the Tin Scheme

THE Malayan tin-mining industry has decided by the large affirmative vote of 68 per cent to support the proposed International Tin Agreement, and the Federal Government will ask Britain to sign the agreement on its behalf. In Nigeria, the other British tin-producing colony, the industry is in favour of participation; the Nigerian government is not committed, but may well be favourable. In view of Malaya's financial difficulties the British government, subject to Parliamentary approval, will finance its contribution to the buffer stock. Malaya's maximum contribution, based on its production, is 36.6 per cent of 25,000 tons of metal or its cash equivalent, which at present would involve £5.8 million. The loan is to be recovered by a

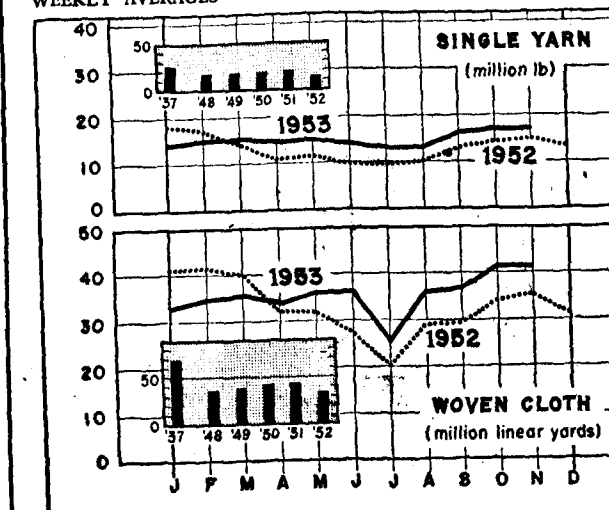
levy, probably of 10 per cent, on the value of tin exports, but producers that can show need may receive further financial assistance. Mines that do not or cannot fulfil their production quota will be allowed to sell their quota to another mine at a mutually agreed price, but the arrangements for such sales have still to be worked out. The problem is to arrange for such transfers in a way that affords maximum flexibility in the industry without creating a vested class of absentee mine owners.

Nigeria, the smallest of the tin exporting countries, has a commitment of only 5.4 per cent to the buffer stock. The two major mining groups would finance their own contributions, and it is understood that the Colonial government would assist the smaller companies without calling on aid from the British government. The prospect of the agreement coming into effect is perhaps not materially worsened by the Randall Commission's objections to such agreements. It was never likely that Congress would ratify a tin agreement, but the Administration may still be sympathetic to it, at least in private. It is probable, however, that the British government will have to work even harder to collect sufficient support for the pact from the independent consuming countries. The Randall Commission's report has driven the last nail into the coffin of a rubber agreement, in which American participation would be vital.

Futures Trading in Sugar?

A MODIFIED form of futures market in raw sugar is being considered by the London trade. As the whole of Britain's domestic requirements of imported sugar, amounting to just under two million tons a year, are still handled by the Ministry of Food, the market may have to be confined to the raw sugar that is privately imported for refining and re-export. This amounts to some 650,000 tons a year, plus about 40,000 tons represented by manufacturers' exports of goods containing sugar. Refiners became wholly responsible for the export trade in refined sugar on

OUTPUT OF THE BRITISH COTTON INDUSTRY
WEEKLY AVERAGES



January 1st. The basis of such a market would be so narrow that the hedge it could offer might be of little value, and might thereby prejudice the eventual establishment of a much broader market in London. But the trade may consider this risk worth taking if it could be sure that the "pilot" market would simply be a stepping stone to a broader market within twelve months or so. A decision may therefore be postponed until the Ministry has indicated its plans for the future marketing of sugar imported for domestic use.

The main problem is to prevent the market from being used as a place where foreign holders of sterling could buy dollar sugar. As in other futures markets, delivery abroad of dollar goods could be prohibited, unless payment was made in dollars; but this would probably weaken foreign confidence in the contract. The foreign operator would have to decide what he would do if dollar sugar, which he could not export, were tendered to him in London, and might think that British refiners would call the tune. But if the Bank of England was prepared to take a fairly liberal view of the dollar risks involved, it might tolerate a limited delivery of dollar sugar to be swapped on the actual market for sterling sugar. It might then also be possible to broaden the market by extending its facilities to participants in Britain's large entrepôt trade of some two million tons a year—roughly half the sugar traded through the free world market. The difficulty is to design a contract that will both attract this trade and contain adequate safeguards against losses of dollars. If it could be done, the London market could go a useful part of the way towards regaining its prewar lead in futures trading, despite the lack of a large home trade.

Who Buys New Ships?

ONLY 169 new ships, totalling 520,000 tons gross, were ordered from British shipyards last year, and existing orders for about half as much tonnage were cancelled. New orders in 1953 were less than half the volume of 1952, and little more than an eighth of the huge tonnage for which

	Tons gross		
	1952	1953	Difference
United Kingdom:—			
Work begun.....	1,187,520	1,279,350	+ 91,830
Launched.....	1,300,612	1,316,688	+ 16,076
Completed.....	1,263,804	1,250,263	- 13,541
Total under construction at end of period:—			
United Kingdom.....	2,146,402	2,173,709	+ 27,307
Abroad.....	3,972,183	4,121,167	+ 148,934

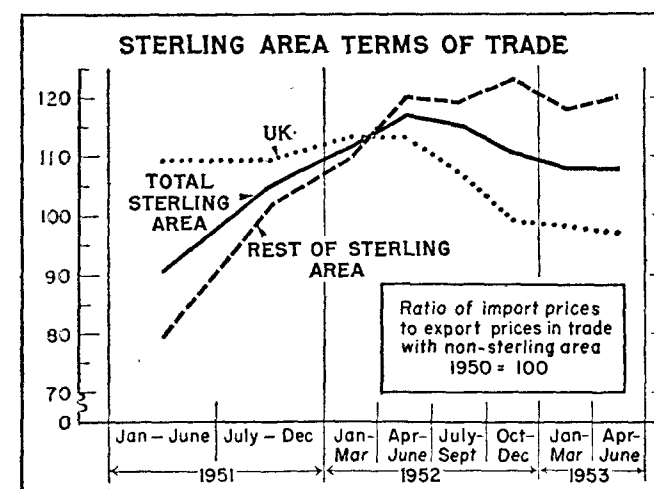
orders were booked in 1951. Meanwhile the industry has been working into its arrears of orders: at the end of last year the industry had about 2.2 million tons of ships under construction, about the same tonnage in course of preparation, and little more than a million tons of untouched orders on its books. This is a situation more comfortable than that of many other industries, but the cycle of construction is far longer on shipbuilding; moreover, these outstanding

orders are not evenly distributed between the large shipyards and the builders of small vessels, many of whom are already short of business.

The decline in orders appears to be affecting shipbuilders throughout the world, but the statistics of construction suggest that Britain is markedly the heaviest sufferer, and its share of tonnage under construction is still shrinking. Although there is now slightly more tonnage under construction in the United Kingdom than a year ago, the shipbuilding work abroad has increased by nearly 150,000 tons, and this total conceals declines of over 185,000 tons in Japan and of nearly 125,000 tons in the United States. Britain's competitors delivered 740,000 tons more than in 1952, while Britain's output was lower. German yards began 1953 with 515,000 tons under construction and finished with 634,000 tons on the stocks, yet they succeeded in delivering a total of 712,000 tons during the year. Japan, similarly, which had only 567,000 tons under construction at the beginning of 1953, delivered 732,000 tons in the twelve months; and Sweden, which began with 350,000 tons, completed 470,000 tons. These countries, admittedly, were not building large passenger liners, which naturally take longer to build, but one German yard did complete a tanker of 45,000 tons dw in nine months from the laying of the keel. A longer working week, the extra shifts and the absence of restrictive labour practices all contribute to this speed of delivery, with which British yards at present can rarely compete.

Terms of Trade

It often happens that when the terms of trade for the United Kingdom are improving they are worsening in the rest of the sterling area and vice-versa. The United Kingdom gained a substantial advantage last year. Prices of the manufactured goods which make up the bulk of the export



trade fell much less than did prices of the agricultural and mining products which make up a large part of the imports. Therefore the terms of trade (the ratio between import prices and export prices) improved. In the rest of the sterling area, whose members are largely exporters of primary products and importers of manufactured goods the terms of

trade have been worsening since 1951, though not in the year to last April. Because the United Kingdom is banker for the whole sterling area and because any further cheapening of the exports of the agricultural members of the area might force a reduced consumption of British goods, it is clear that a further improvement in the United Kingdom terms of trade would not be an unmixed blessing.

The Board of Trade have made a useful attempt to show the comparative effect of the worsening in the United Kingdom terms of trade in 1951 and recovery in 1952 and 1953 against the opposite movement in the rest of the sterling area. The accompanying chart shows that for the whole sterling area there was a significant improvement from an index (1950 equals 100) of 117 in the April-June quarter of 1952 to 108 in the April-June quarter of last year, which is as far as the figures go. The figures make no claim to be more than broadly correct. They have been compiled under several difficulties, one of the most important limitations being the necessity of using figures of the trading partners of some of the sterling area countries instead of their own figures. That produces a dubious time factor—the difference between the time of shipment and the time of arrival.

SHORTER NOTES

During 1953 the average level of wage rates rose by about 3 per cent, and the index of retail prices by only one per cent. The index of wage rates stood at 138 at the end of

December, against 134 a year earlier; some 9 million workpeople had received increases in wages amounting by the end of the year to nearly £2½ million a week. This increase in wage rates (as distinct from actual earnings, on which the latest official data available relate to last spring) compares with an increase of 6 per cent during 1952 and of 11 per cent during 1951.

★

An indication of building society lending policy was given by the chairman of the Burnley Building Society, Sir John Grey, at Wednesday's meeting. He explained that the sum of £6,871,890 advanced on mortgage by the society last year was only 66 per cent of the purchase price of the properties concerned. The Burnley society's total assets last year advanced by £3,168,032 to £37,553,650.

★

The IMF has agreed to the devaluation of the Paraguayan guarani from 6 to 15 guaranies to the American dollar as from January 1st.

★

The height of the two stacks at the Windscale plutonium plant is 415 feet; four stacks of fifteen feet high, as a note last week misrendered the measurements, would not be adequate for the dispersal of radio active air.

Company Notes

J. SEARS (TRUE-FORM BOOT). Mr Clote, with his offer for the equity of J. Sears was the pioneer of the recent bout of take-over bids. A year after his successful bid comes the preliminary report of J. Sears (for the year to December 31st). It gives the impression that a take-over does not necessarily lead to quick profits for either the new proprietors or for the minority.

The group's trading profits have risen from £1,072,577 to £1,131,499, a smaller increase than those reported by some other boot and shoe companies. The ordinary dividend has been reduced from 62½ to 50 per cent. This must also be compared with the dividend of 22½ per cent paid for five years before Mr Clote threw his hat in the ring. The reduction follows Mr Clote's criticism last year that the rate of 62½ per cent (declared by the defeated board) was excessive. It seems that Mr Clote and his associates are not anxious to distribute much more than half the available earnings.

They seem anxious to prove that their object is not to take quick profits but to modernise and develop the business. A capital profit was made on the sale of the

freeholds on some of the shops of the subsidiary, Freeman, Hardy and Willis. Having sold the freeholds the group has, of course, taken out leases on these shops. The resulting cash is to be used first to pay off the outstanding debentures (at the maximum redemption price of 105) and then "to develop and extend the business and interests of the group." No capital return is believed to be at present under consideration.

The question to be asked apparently is: what is the future of J. Sears simply as a shoe company? The industry is vulnerable to sudden changes in consumers' demands and competition within the industry is strong. Plans to modernise the group's shops and to raise their business efficiency cannot be carried out without spending money. Moreover, amortisation and ground rents on leasehold properties (written up to their present values) are sure to take a bigger slice of profits than depreciation on freehold properties (entered in the books at their original cost). This extra cost will not affect the group's full accounts for the year ended December 31st, but ought to be disclosed there or in Mr Clote's statement.

Mr Clote will undoubtedly explain the "how" and "why" of his latest moves, though these moves may not be reflected in the accounts themselves. Then he may be able to destroy the lingering suspicion that he paid too much for the shares.

★

CARRERAS. The preliminary statement of the Carreras group prompted the question whether the stability in its profits disguised a rise in turnover matched by an increase in costs. The group's full accounts do not provide an answer and they raise yet another question. Why have its stocks risen so sharply?

Both in 1951 and 1952 the Carreras group operated with stocks of the order of £13 million. Last year this holding was increased by £4.2 million to £17.4 million. To a small extent this increase reflects a rise in the dollar price of tobacco and the acquisition of the stocks of newly purchased subsidiary companies. But it must arise principally from the bigger allocations of dollars last year for the import of tobacco. The tobacco manufacturers can hardly now describe stocks as uncomfortably low, as they did a year ago. Uncertainty about future dollar allocations encourages the tobacco companies to buy as much leaf tobacco as they can when they can, so that this increase in stocks

may be nothing more than an anticipatory and temporary move.

There are, however, some signs in the balance sheet that the group may adopt a policy of holding higher stocks. The success of the Dunhill cigarette argues the need for bigger stocks. The purchase of some of the assets (including its leaf tobacco stocks) of R. & J. Hill and of the issued capital of the Belfast company, Murray, Sons and Company, also suggests

	Years to Oct. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	3,614,503	3,613,572
Total income.....	3,747,494	3,790,477
Depreciation.....	225,026	282,708
Taxation.....	2,045,967	1,858,421
Net profit.....	1,237,537	1,331,950
Ordinary dividends.....	683,605	716,158
Ordinary dividends (per cent).....	17½	17½
Fixed assets reserves.....	275,836	358,798
Added to group carry forward.....	310,147	312,409

	2s. 6d. "B" ordinary share at 6s. 0d. yields £7 16s. per cent.
Cons. balance sheet:—	
Fixed assets, less depreciation.....	2,314,731
Net current assets.....	10,217,669
Stocks.....	13,220,323
Cash.....	404,696
Bank loans.....	6,758,913
Reserves.....	4,001,834
Ordinary capital.....	7,440,600

an expansionist policy. These purchases, together with fresh capital investment within the group, are reflected in the rise of the net book value of fixed assets from £2.3 million to nearly £3.4 million.

So far the increase in fixed capital investment and in working capital commitments has been financed by bank loans. These loans have risen by £5½ million to £12.3 million, representing well over a third of total liabilities of £31.8 million. A policy of capital expansion and more particularly a permanent growth in stock commitments suggest that there may be a case for replacing temporary finance by permanent capital. It is a possibility that

the holders of the "B" ordinary shares, who have no votes and who again received a dividend of 17½ per cent, might bear in mind.

CABLE AND WIRELESS (HOLDING). The directors of Cable and Wireless (Holding), which now ranks as one of the giants of the investment trust movement, seem to have the habit of catching the stock market by surprise. The surprise this year came when they announced that the total equity dividend for the year to December 31st would be 9 per cent, compared with the rate of 8 per cent (including a 2 per cent bonus) paid in 1952. And if Sir Edward Wilshaw and his co-directors obtain the consent of the Capital Issues Committee they intend to increase the equity capital from £5 million to £5½ million by a 10 per cent free scrip issue. On this news the £100 ordinary stock units were marked up by 12 to 160 (to offer a yield of 5½ per cent).

Not the least surprising feature of this decision was that it was taken in the face of a slight drop in net profits—from £319,605 to £317,000. It has been accompanied by a reduction in the appropriation to general reserves from £100,000 to £30,000. In company with the other investment trusts, Cable and Wireless enjoyed an easy time last year. Equity prices were rising and so, too, were equity dividends, while fixed-interest securities remained practically unchanged in value. Hence, the group's profits before tax and loan interest went up from £916,805 to £942,000. Taxation fell from £320,507 to £266,000, but loan interest rose from £276,693 to £359,000, as a direct result of the conversion of the short-dated ventures into longer-dated stocks. The ease in equity payments suggests a measure of confidence in the future, but it must be remembered that any investment trust with a heavy weight of loan stock is particularly vulnerable when stock markets are falling.

LONDON STOCK EXCHANGE

Next Account begins February 10th.
Next Contango Day: February 10th.
Next Settlement Day: February 2nd.

HELPED by the strength of the gilt-edged market after the announcement of the conversion offer, industrial equities began the new account quite sturdily. Gilt-edged stocks, which had remained firm, advanced briskly after the news of the conversion offer had been made known on Monday evening. In dealings after the market had closed they put on between ¼ and ½ of a point and on Tuesday the long and medium dated stocks made further gains of ½ of a point while several of the "shorts" put on another ¼. On that day 3½ per cent Gas (1969-71) gained ¼ to 98½ and 4 per cent Gas (1969-72) ¼ to 101. Further gains of ¼ were recorded among the medium and long stocks on Wednesday, but the market was less buoyant when dealings began on Thursday. In the foreign market German, Greek and Japanese issues were marked down in the face of end-account selling, but on the first day of the new account the Greek loans rallied quite strongly (on a report that a committee was to be set up in Athens to study a debt settlement).

Industrial equities edged upwards at the end of the old account and then took a leap forward in dealings at the beginning of the new account. At first interest was concentrated upon radio and electrical equipment issues while engineering and paper issues fell out of favour. But at the beginning of the new account interest broadened to include almost every group. Dealings began in the Lancashire Steel equities at 2s. to 1s. 6d. discount and in the preference shares at 10½d. to 6d. discount; by Wednesday's close the discount on the preference shares had narrowed to 1½d. discount but the equity went to 2s. 1½d. discount, after touching 2s. 6d. discount.

Oil shares, under the lead of Shell and Anglo-Iranian, made further headway. Tea shares drooped and rubber shares were barely steady. Kaffirs were marked down at the end of the old account, but the OFS issues came back into demand when the market opened on Thursday.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Jan. 20...	132.5	111.95	3.91	5.48
" 21...	133.0	111.91	3.91	5.46
" 22...	133.6	111.92	3.91	5.44
" 25...	133.9	111.84	3.90	5.42
" 26...	134.3	112.04	3.90	5.41
" 27...	134.9	112.04	3.90	5.38
1954, High.	134.9	112.04		
" Low.	131.1	111.78		
(Jan. 1)	(Jan. 5)			
1953, High.	131.5	112.55	25	12.383
" Low.	113.9	105.68	26	10.951
(May 20)	(Jan. 5)		27	10.966

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953		Price, Jan. 20, 1954	Price, Jan. 27, 1954	Net Yield, Jan. 27, 1954	Gross Yield, Jan. 27, 1954	Prices, 1953		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Jan. 20, 1954	Price, Jan. 27, 1954	Yield, Jan. 27, 1954
High	Low					High	Low					
100 1/2	99 1/2	100 1/2	100 1/2	1 0 7 1/2	1 0 7 1/2	47/6	32/3	12 1/2	STEEL & ENGINEERING	42/6	42/6	7 1 2
100 1/2	98 1/2	100 1/2	100 1/2	1 3 10	2 3 2	15 1/2	10 10 1/2	15 c	B.S.A. £1	13/6	13/3	7 0 4 1/2
102 1/2	99 1/2	102 1/2	101 1/2	1 8 2	2 14 6	55 1/4	45/3	10 b	Cammell Laird 5/-	51/6	51/6	5 16 6
100 1/2	99 1/2	100 1/2	100 1/2	1 13 6	3 0 11 1/2	25 1/4	23 10 1/2	2 1/2	Guest Keen N'fold £1	23/10 1/2	23/3	7 14 10 1/2
99 1/2	98 1/2	99 1/2	99 1/2	1 3 0	2 2 11 1/2	52/-	44/6	12 1/2	United Steel £1	48 1/2	48 1/2	6 4 8
99 1/2	98 1/2	99 1/2	99 1/2	1 6 2	2 7 8	34/-	21 1/4	7 b	Vickers £1	34/6	35/6	6 3 11
101 1/2	100 1/2	101 1/2	101 1/2	0 16 10	2 6 10	28/9	21 1/4	12	Bradford Dyers £1	25/6	25/6	6 5 6 1/2
100 1/2	98 1/2	100 1/2	100 1/2	1 5 6	2 7 7 1/2	50/3	41 1/4	7 1/2	Brit. Celanese 10/-	50/6	50/6	4 19 0
101 1/2	99 1/2	101 1/2	101 1/2	1 3 3	2 9 2 1/2	54 1/4	37/3	6 1/2	Coats (J. & P.) £1	51/-	53/-	5 5 8 1/2
102 1/2	99 1/2	102 1/2	102 1/2	1 5 8	2 13 10 1/2	53/9	38/6	5 a	Courtaulds £1	49/6	49/-	6 2 5 1/2
97 1/2	96 1/2	97 1/2	96 1/2	1 19 11	3 7 4	69/6	49/-	20 c	Lanes Cotton £1	67/6	67/-	5 19 5
98 1/2	97 1/2	98 1/2	97 1/2	1 15 0	2 18 10 1/2	44/6	36/6	7 1/2	Patons & Baldwins £1	43/9	44/3	4 10 5 1/2
92 1/2	86 1/2	92 1/2	93 1/2	2 3 8	3 12 6 1/2	40/10 1/2	33/3	10 c	Assoc. Elect. £1	39/3	39/3	5 1 11
95 1/2	87 1/2	95 1/2	94 1/2	2 1 6	3 9 4 1/2	40/8	34/-	10 b	Brit. Insulated £1	40/9	40/9	4 18 2 1/2
102 1/2	98 1/2	101 1/2	101 1/2	2 1 4	3 18 10 1/2	46/-	36/6	3 1/2	English Elect. £1	40/-	40/-	5 12 6
91 1/2	85 1/2	91 1/2	91 1/2	2 5 10	3 14 1 1/2	19/6	15/6	6 1/2	General Elect. £1	19/-	20/-	4 18 9
91 1/2	84 1/2	90 1/2	90 1/2	2 4 3	3 8 8 1/2	7/7 1/2	5/8 1/2	4 a	Motor & Aircraft	6/6	6/4	8 4 8
103 1/2	100 1/2	102 1/2	101 1/2	2 1 0	3 16 3 1/2	35/10 1/2	23/6	7 1/2	Bristol Aero 10/-	27/-	27/-	5 11 1
89 1/2	82 1/2	87 1/2	88 1/2	2 7 0	3 16 0 1/2	37/3	25 1/2	15 c	De Havilland £1	36/10 1/2	37/6	4 0 0 1/2
95 1/2	86 1/2	93 1/2	93 1/2	2 7 1	4 5 8 1/2	50/6	36/6	6 a	Ford Motor £1	48/6	49/-	6 2 5
86 1/2	77 1/2	85 1/2	85 1/2	2 5 4	4 2 10 1/2	76/6	78/6	25 c	Hawker Siddeley £1	85/-	87/6	5 14 4
65 1/2	57 1/2	64 1/2	64 1/2	2 3 3	3 19 1 1/2	32/-	24/-	2 a	Leyland Motors £1	33/-	33/-	6 1 3
76 1/2	67 1/2	74 1/2	74 1/2	2 4 5	4 1 2 1/2	71/3	58/6	10 b	Raleigh Ind. £1	70/-	69 1/4	4 6 6
94 1/2	87 1/2	92 1/2	93 1/2	2 5 8	3 18 11 1/2	7/3	5/3 1/2	12 c	Rolls Royce £1	5/10 1/2	5/9	10 8 8
86 1/2	76 1/2	84 1/2	84 1/2	2 4 7	3 15 6 1/2	24/-	18 7 1/2	20 c	Standard Motor 5/-	24/-	24/-	4 3 4
87 1/2	77 1/2	84 1/2	84 1/2	2 5 8	4 3 3 1/2	38/9	16 1/2	12 1/2	Boots Pure Drug 5/-	33/3	33/3	6 0 4 1/2
65 1/2	58 1/2	64 1/2	64 1/2	2 3 0	3 18 3 1/2	103/-	85/-	17 1/2	Debenhams 10/-	96/3	96/3	4 13 6
89 1/2	83 1/2	89 1/2	89 1/2	2 6 10	3 16 4 1/2	74/9	46/3	35 b	Lyons (J.) "A" £1	78/9	80/3	3 8 6
89 1/2	82 1/2	88 1/2	88 1/2	2 6 3	3 16 1 1/2	67 1/4	44/3	20 a	Marks & Spen. "A" 5/-	67/3	68/3	4 7 11
103 1/2	99 1/2	104 1/2	105	2 1 9	3 19 11 1/2	8 1/2	5 1/2	30 b	Woolworth 5/-	8 1/2	8 1/2	4 1 2
94 1/2	88 1/2	94 1/2	94 1/2	2 4 7	3 17 8 1/2	60/4 1/2	40 11 1/2	12 1/2	Anglo-Iranian £1	57/6	58/9	5 2 2
76 1/2	66 1/2	83 1/2	83 1/2	2 6 11	3 17 4 1/2	43 1/2	29 1/2	12 b	Burmah Oil £1	43 1/2	43 1/2	4 7 1
89 1/2	83 1/2	89 1/2	89 1/2	2 6 10	3 16 4 1/2	99 1/2	75 7 1/2	10 1/2	Royal Dutch 100 fl.	94 1/4	97/6	5 11 10
91 1/2	85 1/2	100 1/2	101 1/2	2 2 9	3 18 9 1/2	18 7 1/2	11/6	5 1/2	Shell Reg. £1	17/9	19/3	4 14 5 1/2
96 1/2	76 1/2	84 1/2	84 1/2	2 4 7	3 15 3 1/2	44 1/2	34/6	13 1/2	Trinidad L'holds 5/-	38/6	38/-	8 8 5
61 1/2	51 1/2	97 1/2	97 1/2	2 2 0	3 14 11 1/2	68 10 1/2	52/9	14 b	Cunard £1	68/-	70/-	5 14 3
1 1/2	1 1/2	100 1/2	101 1/2	2 2 5	3 18 1 1/2	32/-	24/-	10 c	P. & O. Def. £1	34/-	34/-	5 17 8 1/2

(c) To earliest date. (f) Flat yield. (l) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1952		Prices, 1953		Price, Jan. 20, 1954	Price, Jan. 27, 1954	Yield, Jan. 27, 1954
High	Low	High	Low			
88 1/2	81 1/2	92	84 1/2	90 1/2	90 1/2	4 1 3 1/2
2 1/2	86	95 1/2	91	95 1/2	95 1/2	3 14 2 1/2
3 1/2	89 1/2	99 1/2	93 1/2	98	98	3 17 7 1/2
60 1/2	73 1/2	66 1/2	62 1/2	72 1/2	72 1/2	4 2 9 1/2
84	75 1/2	80 1/2	76 1/2	79 1/2	79 1/2	4 10 10 1/2
85 1/2	76 1/2	82 1/2	78 1/2	80 1/2	80 1/2	4 1 5 1/2
97 1/2	104 1/2	101 1/2	97 1/2	102	102	4 12 3 1/2
61 1/2	77 1/2	66 1/2	62 1/2	77 1/2	78 1/2	4 6 0 1/2
5	21 1/2	25 1/2	21 1/2	15	16	Nil
74 1/2	49 1/2	55 1/2	49 1/2	76	74	...
102 1/2	73 1/2	79 1/2	73 1/2	109	108	...
139 1/2	119	139 1/2	119	137	138	...

Last Two Dividends (a) (b) (c)		Price, Jan. 20, 1954	Price, Jan. 27, 1954	Yield, Jan. 27, 1954
(a) (b) (c)	(a) (b) (c)			
4	7 a	45/-	45/-	4 8 11 1/2
9	8 a	60/-	60/-	4 13 4
5/2	8 a	76/6	76/6	4 13 8
3/3	8 1/2 a	74/-	73/6	4 12 6
3/2	9 a	84/6	84/-	4 5 9
57/6	7 1/2 a	95/-	96/-	5 4 2
5 1/2	5 a	58/-	58/-	3 9 0
39/-	5 a	48/-	47/6	4 4 3
32/3	4 a	40/-	39/6	4 1 0
35/4 1/2	9 b	41/-	41/6	6 14 11 1/2
9 1/2	7 1/2	9 1/2	9 1/2	3 10 2
22 1/2	17 1/2	21	20 1/2	5 0 5
39 1/2	32 1/2	36 1/2	36 1/2	5 5 4
1 1/2	10 1/2	128 1/2	126 1/2	6 15 7
8 1/4	15 1/2	17/9	18/6	5 0 0
3 1/2	7 a	33/-	33/-	5 9 1
0/-	4 a	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 7½% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18.6%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 14%, as forecast by Company. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 11½% after capital bonus. (o) Yield basis 9%. (p) Also 5% net capital distribution, not included in yield. (q) Yield basis 20%. (r) Yield basis 15% after capital bonus. (s) Yield basis 15%, as forecast by Company. (t) Yield basis 19.7% gross. (u) Yield basis 30%. (v) Yield basis 7½%. (w) Also 2½% tax free out of capital profit, not included in yield. Yield basis 20%. (x) Yield basis 18.18% gross.

New York Closing Prices

	Jan. 20	Jan. 27		Jan. 20	Jan. 27		Jan. 20	Jan. 27
	\$	\$		\$	\$		\$	\$
Balt. & Ohio.....	20 1/2	20	Am. Smelting.....	30	30 1/2	Inter. Paper.....	57 1/2	59
Can. Pac.	23 1/2	25	Am. Viscose.....	34 1/2	36 1/2	Nat. Distill.	20 1/2	19 1/2
N.Y. Cent.	20 1/2	20 1/2	Cel. of Amer.	19 1/2	21	Sears Roebuck ..	61	61
Pennsyl.	17 1/2	17 1/2	Chrysler	60	59	Shell	80	81
Amer. Tel.	159 1/2	158 1/2	Gen. Elec.	90 1/2	93 1/2	Std. Oil of N.J. .	75 1/2	77
Stand. Gas.	12 1/2	12 1/2	Gen. Motor.	63 1/2	64	U.S. Steel	40 1/2	41
United Corp. .	5 1/2	5	Goodyear	56	57 1/2	Westinghouse. .	54 1/2	54
W. Union Tel. .	41 1/2	41 1/2	Inter. Nickel ..	36	36	Woolworth	45 1/2	46

Statistics

BRITISH			OVERSEAS		
Prices and Wages.....	Jan. 2nd	Western Europe :	Production and Trade.....	Jan. 2nd	
Production and Consumption	Jan. 9th	British Commonwealth	Jan. 9th		
Manpower.....	Jan. 16th	Western Europe :	Prices and Money Supply	Jan. 16th	
External Trade.....	This week	United States	This week		
Financial Statistics.....	Jan. 23rd	World Trade.....	Jan. 23rd		
Industrial Profits.....	Jan. 23rd				

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1952			1953			
		1951	1952	1953	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
VALUE											
Imports :	£ million	325.5	290.1	278.7	266.6	261.8	267.7	269.4	279.8	272.2	281.6
Total	"	107.8	101.2	109.9	83.2	88.9	100.1	117.9	112.2	108.9	111.3
Food, drink and tobacco	"	142.5	116.7	107.0	108.5	110.8	105.1	94.0	102.5	99.7	110.1
Raw materials											
Exports of UK produce :											
Total	"	215.0	215.1	215.2	221.9	210.4	207.5	202.2	227.6	239.9	224.6
Manufactures—total	"	189.4	186.1	184.9	187.5	180.6	175.8	172.7	193.8	205.7	189.4
" metals and engineering products	"	99.9	110.0	108.9	112.3	108.3	107.1	97.0	109.4	119.9	111.5
" textiles and clothing	"	44.9	31.8	32.0	31.5	30.6	29.4	31.6	35.0	35.5	32.7
" other	"	44.6	44.3	44.0	43.7	41.7	39.3	44.1	49.4	50.3	45.2
Re-exports	"	10.6	12.0	8.8	12.1	8.9	7.5	8.0	9.3	8.9	7.6
Balance of trade (exports less imports) ..	"	-99.7	-63.0	-54.7	-32.6	-42.5	-52.7	-59.2	-42.9	-23.4	-49.4
VOLUME											
Imports	1950=100	112.5	103.0	113.0	...	99.6	...	120	115	112	120
Exports	"	101.2	95.0	98.0	99	94	93	92	105	110	99
AREA											
Imports :	£ million	64.5	60.1	...	52.6	45.5	43.9	56.0	55.4	51.5	...
Dollar area	"	31.7	26.3	...	25.7	20.8	18.7	20.2	19.2	21.7	...
" USA	"	21.7	26.6	...	21.4	21.5	21.5	26.5	29.1	25.6	...
Non-sterling OEEC countries	"	84.0	71.4	...	67.8	62.2	64.6	64.1	67.4	63.7	...
Sterling area	"	116.5	119.8	...	119.0	126.5	132.7	112.5	119.5	123.8	...
Exports :											
Dollar area—total	"	28.9	31.4	...	39.6	32.3	28.8	31.2	34.2	34.9	...
" USA	"	12.8	15.1	...	17.5	13.3	13.6	14.6	14.7	12.0	...
" Canada	"	11.7	11.0	...	14.8	12.9	10.3	12.0	13.9	14.4	...
Non-sterling OEEC countries	"	56.0	58.3	...	63.4	59.4	61.0	61.0	68.4	67.7	...
Sterling area	"	110.8	107.0	...	101.9	100.7	97.9	98.0	112.6	121.5	...
Balance of trade (exports less imports) :											
Dollar area	"	-35.6	-28.7	...	-13.0	-13.2	-15.1	-24.8	-21.2	-16.6	...
Non-sterling OEEC countries	"	-28.0	-13.1	...	-4.4	-2.8	-3.6	-3.1	+1.0	+4.0	...
Sterling area	"	-5.7	-12.8	...	-17.1	-25.8	-34.8	-14.5	-6.9	-2.3	...
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	337.7	325.5	337.9	173.6	289.8	324.9	330.4	345.0	275.1	...
Meat	"	39.9	45.5	63.2	52.3	31.7	29.2	59.7	57.5	66.3	...
Sugar, unrefined	"	186.8	166.3	251.2	150.2	112.4	161.1	347.7	285.3	251.0	...
Raw cotton (1)	"	37.5	21.8	27.6	23.8	19.5	16.0	25.3	31.4	25.7	...
Raw wool, sheep's and lambs' (2)	mn. lb.	36.0	52.0	63.8	36.8	81.1	68.4	24.0	34.1	55.9	...
Rubber, natural and synthetic (2)	'000 tons	25.1	16.7	18.5	22.1	14.3	20.7	18.8	21.1	15.6	...
Softwood	'000 stds.	135.6	85.2	120.5	107.9	71.3	52.7	118.9	104.5	91.7	...
Woodpulp	'000 tons	139.3	119.9	134.2	99.9	133.0	165.2	137.8	171.6	149.0	18
Crude petroleum	mn. galls.	359	483	556	527	515	555	575	613	608	...
Exports of UK produce :											
Coal, including bunkers	'000 tons	961	1,254	1,400	1,485	1,183	1,237	1,417	1,627	1,587	1,525
Woven piece-goods—cotton	mn. sq. yds.	72	59	59	61	63	61	59	58	65	61
" wool	'000 sq. yds.	9,894	8,190	8,751	9,525	9,402	8,624	7,978	9,765	8,891	8,650
Passenger cars and chassis	number	30,717	25,819	27,244	21,947	21,174	17,619	23,722	25,706	21,618	24,288
Commercial vehicles and chassis	"	11,425	10,706	9,278	9,134	8,650	8,614	8,655	11,150	10,254	9,390
Agricultural tractors	"	9,383	8,745	7,788	7,924	6,377	6,374	7,936	8,836	7,308	7,063
Machinery—electrical	£'000	4,022	4,799	4,864	4,704	4,928	5,244	4,122	4,633	5,300	4,183
" other	"	26,245	30,346	28,762	30,182	29,867	30,317	25,118	28,311	30,770	30,593
Chemicals	"	6,533	6,774	5,987	6,200	6,629	5,644	5,880	5,936	6,476	5,971

(1) Average for fourth quarter.

(2) Retained imports.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1952 prices
	1947-49=100						1948=100			1939=100	\$	
1939	50.1	36.5	59.4	47.1	52.5	...	42	48	88	100.0	23.86	45.62
1952	111.6	107.0	113.5	114.6	105.8	114.6	123	102	121	195.0	67.97	67.97
1953	110.1	97.0	114.4	112.8	104.8	117.7	...	...	...	193.2	71.55	70.96
1953 August	110.6	96.4	115.0	114.1	104.3	118.0	118	102	116	190.2	71.69	70.77
September	111.0	98.1	115.2	113.8	105.3	118.4	119	102	117	181.0	71.42	70.36
October	110.2	95.3	115.4	113.6	105.5	118.7	...	...	...	187.1	71.73	70.53
November	109.8	93.6	115.0	112.0	105.5	118.9	...	...	...	191.2	71.60	70.68
December	110.1	94.7	114.9	112.3	105.3	118.9	...	...	...	193.4	71.78	70.91

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates	Total industrial production	Manufacturing production						Building	Civilian employment			
			Durable goods			Non-durable goods				New construction; seasonally adjusted	Total labour force	Total employment	Unemployed as % of labour force
			Total	Metals	Vehicles, etc.	Total	Textiles, etc.	Chemicals					
			\$ billion	Index 1947-49=100; seasonally adjusted									
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	...	...	...	...	...	...	...	...	2,904	63,417	61,894	2.4	
1953													
10 August	369.0	{	136	157	137	191	119	106	148	2,811	64,648	63,408	1.9
September			133	152	130	186	117	102	148	2,824	63,552	62,306	2.0
October			132	151	128	189	117	103	146	2,841	63,404	62,242	1.8
November			130	147	124	180	116	99	146	2,900	63,353	61,925	2.3
December			...	...	...	...	...	...	...	2,900	62,614	60,764	3.0

TRADE

	Personal consumption Annual rates	All business		Total retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks 1	Sales	Stocks 2	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million				1936-38=100		
1939	67.5	10.80	20.05	3.50	5.53	190	62	41	260	139	94	113
1951	208.1	44.82	74.06	13.19	20.75	901	280	205	1,240	708	144	247
1952	218.1	46.08	74.76	13.67	20.80	895	245	214	1,252	777	151	250
1953 July	231.0	50.40	78.31	14.47	22.09	892	216	232	1,340	990	158	272
August	...	48.14	78.75	14.07	22.12	836	203	221	1,175	818	147	238
September	...	48.65	79.38	13.98	22.28	928	226	212	1,227	833	162	246
October	...	48.30	78.98	14.04	22.04	822	210	200	1,236	824	145	246
November	...	47.90	78.46	14.19	21.79	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics ³		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	66.1	— 4.0	1.766	2.68	2.96
1953	...	...	...	...	...	...	...	74.6	— 9.4	1.940	2.92	3.20
1953												
August	287.0	202.2	11.4	27.81	21.22	77.1	66.0	6.0	— 1.5	2.088	3.00	3.24
September	286.3	201.1	11.4	27.98	21.35	76.7	66.3	6.1	— 0.1	1.876	2.97	3.29
October	287.2	200.7	11.9	28.17	21.49	76.8	67.1	5.5	— 2.8	1.402	2.83	3.16
November	285.4	199.0	12.2	28.25	21.59	78.2	67.2	5.4	— 0.7	1.427	2.85	3.11
December	...	...	...	...	...	...	...	6.4	— 1.2	1.630	2.79	3.13

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 23rd, there was an "above-line" surplus (after allowing for Sinking Funds) of £137,440,000 compared with a surplus of £189,579,000 in the previous week and a surplus of £128,225,000 in the corresponding period last year, bringing the cumulative deficit to £120,513,000 (£129,176,000 in 1952-53). There was a net "below-line" receipt of £6,511,000 which brought the total cumulative deficit to £433,149,000 (£596,416,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Jan. 24, 1953	April 1, 1953 to Jan. 23, 1954	Week to Jan. 24, 1953	Week to Jan. 23, 1954
Ord. Revenue					
Income Tax	1782,250	1107,749	1112,746	134,969	138,595
Sur-tax	127,000	83,500	83,800	6,500	7,500
Death Duties	160,000	119,650	131,600	3,200	2,900
Stamps	52,000	40,350	44,600	800	600
Profits Tax & E.P.T.	214,000	325,500	161,400	7,000	5,100
Excess Profits Levy	99,500	450	52,950	150	1,600
Special Contribution and other Inland Revenue	1,000	1,620	920	100	...
Total Inland Rev.	2435,750	1678,919	1588,016	152,719	156,295
Customs	1044,300	849,854	862,025	20,975	19,221
Excise	680,480	567,211	563,370	7,030	5,630
Total Customs and Excise	1724,780	1417,075	1425,396	28,005	24,851
Motor Duties	69,000	59,129	64,286	18,428	15,711
P.O. (net receipts)	2,685	...	300	...	300
Broadcast Licences	16,000	9,600	10,900	...	...
Sundry Loans	25,000	21,461	34,629	...	12,635
Miscellaneous	95,000	95,627	97,819	3,012	1,314
Total	4366,216	3281,810	3221,346	202,164	211,106
Ord. Expenditure					
Debt Interest	615,000	464,362	463,560	...	...
Payments to N. Ire. and Exchequer	48,000	34,247	36,625	3,104	...
Other Cons. Fund.	10,000	9,653	8,664	305	285
Supply Services	3586,286	2876,042	2806,144	69,690	73,170
Total	4259,286	3384,304	3314,993	73,099	73,456
Sinking Funds	...	26,581	26,866	840	210

"Above-line" Surplus or Deficit	-129,176	-120,513	122,225	137,440
"Below-line" Net Expenditure	467,240	312,656	8,191	6,511
Total Surplus or Deficit	596,416	433,149	120,034	143,951
Net Receipts from:				
Tax Reserve Certificates	3,717	83,908	11,627	44,297
Savings Certificates	7,700	13,650	2,700	1,100
Defence Bonds	44,401	35,619	447	35

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
Jan. 24	2,980.0	1,515.9	268.2	...	4,764.1
Oct. 24	4,550.4*	264.1	...	...	4,814.5
" 31	4,538.1*	254.9	1.3	...	4,794.3
Nov. 7	4,535.2*	250.0	...	...	4,785.2
" 14	4,591.7*	253.9	...	...	4,845.5
" 21	4,604.2*	268.8	...	...	4,873.0
" 28	4,620.5*	254.0	...	...	4,875.1
Dec. 5	4,674.4*	342.5	...	...	4,916.9
" 12	4,726.3*	283.1	2.3	...	4,966.7
" 19	4,759.0*	266.9	1.0	...	5,026.9
" 31	4,853.5*	250.1	...	...	5,103.6
1954					
Jan. 9	3,110.0	1,679.9	249.4	...	5,039.3
" 16	3,110.0	1,570.0	265.6	...	4,945.7
" 23	3,090.0	1,669.9	266.1	...	4,966.0

* 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 reached their original maturity date.

THE MONEY MARKET

ALTHOUGH revenue transfers were still heavy in the week covered by the Bank return, credit conditions in Lombard Street eased considerably from the stringency experienced in the previous week. Market supplies of funds were adequate for demands on every day except Thursday of last week, and even then purchases of bills by the authorities (made indirectly through the banks) reached only small proportions. At the weekend credit conditions were markedly easy, and on Tuesday a surplus of funds actually emerged—though the authorities made no attempt to mop up the idle balances through sales of bills.

At last week's Treasury bill tender the market raised its bid by 2d. to £99 9s. 6d. per cent for the £210 million of bills on offer. Applications rose by only £8 million to £343.8 million, and the market's allotment rose from 51 to 58 per cent; the average rate of discount fell by nearly 8d. to £2 1s. 11.79d. per cent.

The Bank return shows a further reflux of notes of £8 million; despite the reduction of £25 million in the fiduciary issue, the reserve in the banking department still stands at over £40 million. The fiduciary issue has now been reduced three times this month, and is restored to £1,575 million—its pre-Christmas level and the basic level proposed in the new Bill. Government securities in the banking department rose by only £8.1 million despite the transfer of £25 million from the issue department and an increase of £5.3 million in the Treasury special account; but as "other securities" were up on balance and public and other accounts fell, bankers' deposits fell by only £5.4 million.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	%	Discount rates	%
Bank bills: 60 days	2 1/2	Bank bills: 60 days	2 1/2
3 months	2 1/2	3 months	2 1/2
6 months	2 1/2	6 months	2 1/2
Deposits (max)	1 1/2	Deposits (max)	1 1/2
Overnight	1 1/2	Overnight	1 1/2
1 month	1 1/2	1 month	1 1/2
3 months	1 1/2	3 months	1 1/2
6 months	1 1/2	6 months	1 1/2
Money—Day-to-day	1 1/2	Money—Day-to-day	1 1/2
Short periods	1 1/2	Short periods	1 1/2
1 month	1 1/2	1 month	1 1/2
3 months	1 1/2	3 months	1 1/2
6 months	1 1/2	6 months	1 1/2

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot				
		Jan. 21	Jan. 22	Jan. 23	Jan. 25	Jan. 26
United States \$	2.78-2.82	2.81-2.81	2.81-2.81	2.81-2.81	2.81-2.81	2.81-2.81
Canadian \$	2.73-2.73	2.73-2.73	2.73-2.73	2.73-2.73	2.73-2.73	2.73-2.73
French Fr.	972.65-987.35	979-979	979-980	979-980	979-980	979-980
Swiss Fr.	12.15-12.33	12.21-12.21	12.21-12.21	12.21-12.21	12.21-12.21	12.21-12.21
Belgian Fr.	138.95-141.05	139.85-139.85	139.85-139.85	139.85-139.85	139.85-139.85	139.85-139.85
Dutch Gld.	10.56-10.72	10.62-10.62	10.62-10.62	10.62-10.62	10.62-10.62	10.62-10.62
W. Ger. D-Mk.	11.67-11.84	11.69-11.69	11.69-11.69	11.69-11.69	11.69-11.69	11.69-11.69
Portuguese Esc.	14.37-14.59	14.50-14.50	14.50-14.50	14.50-14.50	14.50-14.50	14.50-14.50
Swedish Kr.	19.19-19.48	19.35-19.35	19.35-19.35	19.35-19.35	19.35-19.35	19.35-19.35
Danish Kr.	19.85-20.15	20.00-20.00	20.00-20.00	20.00-20.00	20.00-20.00	20.00-20.00
Norwegian Kr.	...	...	...	...	...	...
One Month Forward Rates						
United States \$	...	...	...	...	...	...
Canadian \$	...	...	...	...	...	...
French Fr.	...	...	...	...	...	...
Swiss Fr.	...	...	...	...	...	...
Belgian Fr.	...	...	...	...	...	...
Dutch Gld.	...	...	...	...	...	...
W. Ger. D-Mk.	...	...	...	...	...	...
Swedish Kr.	...	...	...	...	...	...
Danish Kr.	...	...	...	...	...	...
Norwegian Kr.	...	...	...	...	...	...

BANK OF ENGLAND RETURN (£ million)

	1953	1954
Issue Department:		
Notes in circulation	1,448.9	1,543.2
Notes in banking dept.	51.5	57.1
Govt. debt and securities	1,496.8	1,596.8
Other securities	0.7	0.7
Gold coin and bullion	2.9	2.9
Banking Department:		
Deposits:		
Public accounts	11.5	13.5
Treasury special account	32.2	284.0
Bankers	274.5	69.3
Others	66.1	374.0
Total	384.3	740.8
Securities:		
Government	318.7	295.6
Discounts and advances	6.5	20.4
Other	24.5	16.7
Total	349.7	332.7
Banking department reserve	52.9	59.5
"Proportion"	13.7	15.9

* Government debt is £1,015,100, capital £1,015,100. Fiduciary issue reduced from £1,625 million to £1,575 million on January 13, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment d.
	Offered	Applied For	Allotted	
1953				
Jan. 23	190.0	285.3	190.0	47 11.47
Sept. 11	300.0	388.0	300.0	47 11.85
" 18	280.0	340.6	280.0	43 0.06
" 25	270.0	362.2	270.0	42 8.05
Oct. 2	280.0	348.2	250.0	42 8.09
" 9	250.0	359.5	230.0	42 7.36
" 16	230.0	367.7	230.0	42 11.57
" 23	240.0	353.2	240.0	41 11.67
" 30	240.0	385.9	240.0	41 11.37
Nov. 6	220.0	392.5	220.0	41 10.62
" 13	230.0	372.9	230.0	41 11.44
" 20	230.0	374.5	230.0	41 10.92
" 27	240.0	368.4	240.0	41 11.45
Dec. 4	250.0	374.0	250.0	41 11.72
" 11	250.0	368.5	250.0	41 11.96
" 18	250.0	308.4	250.0	42 0.62
" 24	250.0	338.9	250.0	42 7.34
1954				
Jan. 8	250.0	316.6	250.0	42 8.29
" 15	230.0	319.3	230.0	42 7.90
" 22	210.0	335.5	210.0	42 7.72
" 29	210.0	343.8	210.0	41 11.78

* On January 15th tenders for 91 day bills at 4% secured about 58 per cent of the sum applied for. The offering yesterday was a maximum amount of £220 million.

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1953

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ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, 31st December, 1953.

LIABILITIES		£	£
Authorised Capital, 1,300,000 Shares of £2 each	...	2,600,000	
Issued Capital:—			
100,000 £2 6% Cumulative Preference Shares, fully paid	...	200,000	
1,200,000 £2 Ordinary Shares, £1 paid (Reserve Liability, £1,200,000)	...	1,200,000	
Share Premium Account	...	1,733,750	
General Reserve	...	766,250	
Profit and Loss Account	...	352,000	
			4,252,000
Loans, Deposits, Sundry Creditors and Contingency Reserve (including liabilities of £137,332,622 secured on certain assets per contra)	...	140,625,043	
Final Dividends and Bonus (less Tax) recommended	...	118,800	

Notes:—
1. There is a Contingent liability in respect of Bills Re-discounted excluding Treasury Bills of £6,965,837 (1952—£5,045,456).
2. Taxation recoverable to date has been included in these accounts.

£144,995,843

ASSETS		£	£
Balances at Bankers and Cash in Hand	...	457,936	
Bills Discounted (less Provision for Rebate)	...	74,973,359	
British Government Securities (Quoted)	...	67,967,132	
Corporation and Dominion Government Securities (Quoted)	...	563,482	
Loans on Security and Amounts Receivable	...	1,033,934	
			£144,995,843

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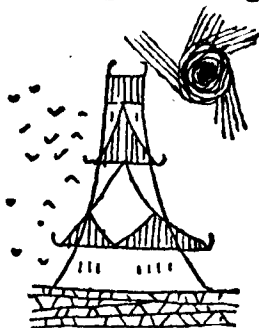
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(Chairman)

ERIC O. FAULKNER, M.P., D.E. (Deputy Chairman)

The Hon. GEOFFREY C. GIBBS, C.M.G. J. IVAN SPENS, O.B.E.

DAVID JOHN ROBERTS Sir ARCHIBALD JAMIESON, K.B.E.

STATEMENT OF ACCOUNTS AT 31st DECEMBER, 1953.

Liabilities	
CAPITAL (in £1 Units of Stock):	£
Authorised ...	7,500,000
Issued ...	5,544,000
Share Premiums (all applied to paying up part of issue of new shares)	2,456,000
RESERVE (after having applied £30,000 to paying up balance of issue of new shares)	8,000,000
PROFIT AND LOSS—Balance carried forward ...	761,603
	8,761,603
LOANS (Secured on Assets of the Company) ...	231,167,736
DEPOSITS, OTHER LIABILITIES AND RESERVE FOR CONTINGENCIES ...	13,690,133
DEPOSITS BY SUBSIDIARIES ...	100,107
PROPOSED FINAL DIVIDEND, less Income Tax ...	152,460
	245,110,436
	£253,872,039

CURRENT ASSETS:	
CASH AT BANKERS AND IN HAND ...	5,223,303
BILLS DISCOUNTED—less Rebate and Reserve ...	141,501,578
SECURITIES QUOTED: British Government, British Corporation, Public Board, Dominion and Colonial Government and Corporation ...	96,059,334
Unquoted: British Corporation and Public Board	992,446
Mortgages ...	9,895,271
LOANS on Securities and amounts receivable ...	253,471,932
	100,107

FIXED ASSETS:	
SHARES IN SUBSIDIARIES—At Cost ...	100,107
The net assets of Subsidiaries at 31st December, 1953 are represented by Deposits with the Company (per contra).	
FREEHOLD PREMISES, including Furniture and Fittings, at Cost, less amounts written off ...	100,000
	£253,872,039

39, CORNHILL, LONDON, E.C.3

WESTMINSTER BANK LIMITED

CONTINUED EXPANSION OF BUSINESS

THE NATION'S GREAT ACHIEVEMENT

LORD ALDENHAM ON IMPORTANCE OF SAVINGS

The annual general meeting of Westminster Bank Limited will be held on February 17th at the head office, Lothbury, London, E.C.

The following are extracts from the statement by the chairman, The Rt Hon Lord Aldenham, circulated with the report and accounts for the year to December 31, 1953:

I am glad to report that our business continues to expand; the number of our account holders has substantially increased and the volume of work passing through our books is correspondingly greater. Our policy of branch extension has made satisfactory progress during 1953, and we have opened 21 new offices, bringing the total to 1,104. We have been helped by some relaxation of Government controls affecting building and expect to benefit still more in this way during 1954.

In spite of this increase in work and in the number of branches, I am pleased to tell you that there has been a slight reduction in the total number of staff employed, whilst at the same time we believe that the high standard of service we have set ourselves is being well maintained.

During the past year senior officers of the bank have visited a large number of countries, including Canada, the United States, Pakistan, India and Latin America. These visits have enabled us to strengthen old links with our banking friends overseas and to establish new contacts. At a time when the fostering of Britain's foreign trade is of paramount importance, we may regard this side of our activities not only as important to the bank and its customers but also as a contribution to the wider national interests.

A reference to the bank's activities overseas would not be complete without an expression of our pleasure at the award of the CBE to our New York representative, Mr A. W. Beaman.

The accounts show a net profit for 1953 of £1,474,736, which is £28,190 more than last year, after provision for taxation and appropriations to inner reserves.

DIVIDEND DECISION

We have been able to maintain the dividend at 18 per cent per annum, a rate which has been rather surprisingly described in some quarters as "meagre." It must be admitted at once that the declaration of this dividend has come as a disappointment to some of our shareholders, since several of our competitors have been able to declare increased dividends. But it should not be forgotten that for many years now this bank has paid a higher rate of dividend than almost all its competitors, and that we are still in that proud position; nor should it be forgotten that, while any depreciation of investments suffered up to December 31, 1951, had always been set off against profits or reserves, we decided to show in our published statement of June 30, 1952, the depreciation on our holdings of British Government securities which had occurred in

the previous six months, without minimising that deficiency by any transfer from inner reserves or from current profits.

That temporary deficiency amounted to £7.9 million, compared with published reserves at that date of £9.3 million; it is true that this fall has been recovered since then, but after so recent and so sharp a reminder of the way in which the market value of even British Government securities may fluctuate we have decided with regret that it is in the best interests of our shareholders that the whole of the profits of 1953, after payment of taxation and of the usual dividend, should go to fortify the published and the inner reserves upon which we rely to take care, not only of such losses as these, but of any others we may sustain through the normal risks of business.

BALANCE SHEET FIGURES

The balance sheet shows that during 1953 the total of current, deposit and other accounts increased by nearly £27 million.

On the other side of the balance sheet the total of our advances, following the trend shown by bank advances as a whole, fell by £13 million, and the income from this item showed therefore a very substantial decrease compared with 1952. The contraction in this asset may be attributed in part to the lower level of the prices of raw materials and to the more liquid position of industry during the year. At the same time it may be mentioned that the terms of the request made by the Chancellor of the Exchequer to the banks to exercise restraint in their lending policy bears a little more hardly upon our bank than upon some of the others, because the proportion of our advances made to private and professional customers used normally to be larger than the average.

GROWTH OF DEPOSITS

The growth of our deposits, together with the lower level of advances, has necessitated an increasing use of our funds in the less remunerative outlets of bills discounted and investments, which increased by £31 million and £21.5 million respectively.

In spite of difficult trading conditions in France and Belgium throughout the year, Westminster Foreign Bank has been able to show a net profit for 1953 only slightly smaller than for the previous year.

Our affiliate in Ireland, the Ulster Bank, which this month holds its 118th ordinary general meeting, has had a satisfactory year and has declared a profit approximately equal to that for 1952.

TWO NATIONAL CONSIDERATIONS

As a nation our two main considerations at the end of each year must be to judge how far progress has been made towards a real and lasting peace, and how far we have been able to add to our scanty gold reserves by earning a little more than we have spent.

We may well be pleased that the Prime Minister has been able to tell us that the

danger of war is further away than it was in 1951; and pleased also that a four-Power conference of Foreign Ministers is to be held this month. But it is still difficult to believe that much progress has yet been made in the re-establishment of those really friendly relations with Russia that the world so sadly needs; though this is not for want of trying on our side.

It is a great achievement indeed that in spite of our very heavy and very necessary expenditure on defence, it seems certain that in 1953 we have paid our way. In the first half of the year this country showed a surplus of £26 million on its current international payments and receipts excluding defence aid; and it looks as if the surplus for the second half-year will not be less. It is not possible to judge accurately how we are faring by taking a single year's figures, and a diagram is given in the directors' report to show the trend of the United Kingdom's own balance of payments since the end of the war. Movements in the total volume of stocks of food and raw materials are not published, but the indications are that in 1953 the balance has been achieved without any lowering of these stocks. The diagram shows how narrow has been the margin of success; and it indicates that if the downward trend of 1953 is not arrested this year the balance will move against us.

The 1953 balance is likely to be some way short of the figure at which we must aim if, after paying the service of our debts to the United States and Canada, we are to add to our reserves and provide funds for the development of the countries within the Commonwealth. It will need our very best efforts if the figures of our exports in 1954 are to show an improvement on those of 1953. All the reports that come to us from Western Germany tell of employment and employed there united in an energetic drive for export markets. Increasing competition is now no menace.

EXPORTS

In considering how we are to increase exports, the price factor is of course of consideration, and it is most disturbing to find many instances of our having been ourselves out of traditional markets.

But almost as important as price is ability to promise quick delivery, and certainty of being able to keep it promises. It should be easily understood that when a buyer buys a foreign machine and gets it sooner than his competitor who has bought British, lasting harm has been done to our prospect of future exports. But this lesson is best learned on the spot, and it would be valuable indeed if not only our export sales managers but also some of the foremen at the producing end could get out to their foreign markets and see the harm which is done by delays.

Seven instances of ships turning away from Tyneside to foreign ports for their repairs have recently been reported in the Press, and our lack of ability to guarantee an

early completion date seems to have been one of the main causes; such cases do bring home to us all that the so-called two sides in industry must be united as one side if we are to survive foreign competition.

A stable cost of living would greatly help our ability to give good delivery dates by lessening the risk of industrial disputes; and much has been achieved in this direction, both towards stability and towards minimising loss of man-hours in industrial disputes, during 1953. There has been a comparatively small rise in the index of retail prices, in spite of the reduction in the food subsidies. It would be interesting to learn from our leading economists whether food subsidies may not to some extent have been "feather-bedding" foreign farmers, by keeping up the price of the commodities we import. Certainly the reduction in subsidies has not brought with it the corresponding rise in prices in our shops which many people feared.

EFFECT OF COMPETITION

Competition also brings in its train demands from overseas buyers for longer terms of payment. Such demands cannot unfortunately be compensated by easier terms of payment for our own purchases of imports, since these are in the main of raw materials and foodstuffs, unsuitable for long credit terms. Were a British manufacturer able to obtain the same length of credit in buying his raw materials as he has to accord to a foreign importer when selling the manufactured product, his financial problem would be much easier. But this bank, and other banks, can help, and are helping to overcome this difficulty, by providing finance to our exporters to enable them to grant easier payment terms to the overseas buyer. Our bank also maintains an intelligence service able and more than willing to help any manufacturer wishing to expand his exports to new markets.

It does not seem probable that our 1954 figures will be improved by what are called the terms of trade, that is, the relation between the prices we receive for our exports and the prices we pay for our imports; lower prices for our wheat and cotton imports, owing to abundant crops, may well be matched by lower prices for our exports, caused by competition.

DOLLAR MARKETS

The growth of our total exports to the dollar markets of North America during 1953 has been most useful; it is not always realised that Canada is almost as good a market for ours as the whole United States.

Moreover we may hope from the fact that Canada may prove a steadier market in bad times; the curtailment of our exports to the United States in the two years of 1929 and 1938 amounted to 75 per cent and 40 per cent respectively.

In recent months there has been a definite tightening in business in the United States. Although we may hope that better methods have been evolved to avoid such serious depressions as those of 1929 and 1938, yet we must consider the effect on our economy, which any marked recession in the United States would have.

This leads at once to the study of the sterling area gold and dollar reserve. This reserve increased during 1953 from £659 million to £899 million, after providing £63 million for service of the United States and Canadian loans, an obligation which should always be regarded as a first claim on any dollars we earn. The increase is most welcome, but the reserve is still at a dangerously low level and could not be allowed to be substantially diminished, even if there were

a serious fall in American purchases of sterling area exports. In such an eventuality, the only possible course for us would be to cut our imports from America to the barest essentials. The need for a substantial dollar reserve is shown by the fact that the sterling area spent the equivalent of £4,000 million in 1952 on imports from the non-sterling world.

CONVERTIBILITY

It does not seem likely that full convertibility between the pound and the dollar would help us much at present. Until our national shop window has become as attractive to the whole world as the shop window of the United States, convertibility would seem to imply either a lower price for the pound sterling measured in dollars, or an even more severe restriction of dollar imports than we suffer from now. The latter device would be highly unsatisfactory, since it would lessen the volume of our own trade, while any foreign holder or earner of sterling would be free to acquire with that sterling, dollar goods, unhampered by our own import restrictions.

There have been welcome signs, however, during the year that our shop window is becoming as attractive as the American: motor-car exports to North America were insignificant up till five years ago; but in 1953 good salesmanship had brought them into the first place in our list of exports to that area. British tenders for the supply of electric power installations have been successful even over the tariff wall; and if we fear that the Buy American Act may hinder these exports in future, these successes do at least advertise to the rest of the world how competitive some of our prices and delivery dates can become when we really try.

US TARIFFS

Most certainly convertibility would help our invisible exports, and it may well be that the time will become ripe during 1954 for another tentative step towards it; and it is encouraging to remember how quickly the urge to convert pounds into dollars, or vice versa, disappears when it is believed that the right to convert is likely to be maintained. But we must not again risk the disastrous experiment in convertibility of 1947 which resulted in our selling much too cheaply to foreigners the dollars which we so sadly needed, and still need, ourselves. It is clear how closely our problem of convertibility is linked with the problem of United States tariffs, and no lowering of these tariffs is likely even to be considered before the report of the Randall Commission has been debated in Congress.

The recent purchases of tobacco and lamb from the United States do not create an obstacle to convertibility since the proceeds will be spent here in sterling as defence aid; but this is not true of the agreement to buy American films with blocked sterling. That agreement accumulates sterling in the hands of those naturally anxious to buy dollars with it as soon as this is permissible, even though it may for the time being be usefully invested here. It would have been much better to have bought only as many films as we could afford to pay for in dollars at once. The agreement runs only until September next, so that at least it can then be reconsidered.

COAL EXPORTS

Coal exports have increased, but they are still disappointing; they could do so much to maintain our balance of payments, and thus ensure the maintenance of our present standard of living. The National Coal Board publishes figures of £29 million, £32 million and £45 million capital expenditure in the

mines during 1950, 1951 and 1952, and there has been in 1953 no corresponding rise in production which the outsider would expect from this vast outlay.

However, the figures of industrial production as a whole have shown a most welcome recovery from the fall recorded in 1952.

Considerable progress has been made during 1953 in the removal of wartime controls; but measured in man-power freed for more productive purposes, progress has been too slow. In September, 1951, there were 1,283,000 persons employed in National and Local Government services (excluding the Armed Forces and the Police), and in September, 1953, there were still 1,245,000 thus employed, out of a total working-age population of 23½ million.

NEED FOR MORE SAVINGS

The need for more savings both to permit increased exports by reducing home consumption and to keep our machinery up to date is very great. The point is most strongly stressed in a recent report of the Organisation for European Economic Co-operation; and it is not unhealthy for us all to read and ponder the opinions of this body of independent, but friendly and constructive critics on the present state of our nation.

Any feeling of complacency about our recovery during the last two years will receive a severe jolt when the figures in this report of the increase in industrial production of other European countries are compared with our own.

In America a very high wage structure is supported by a very high figure of modern capital equipment behind each factory worker; our own wage structure is endangered by the lack of sufficient company and private savings to provide something approaching the same amount of modern capital equipment behind each of our workers.

In spite of this urgent need of savings to support our wage structure many people seem to regard earnings of interest from savings as being morally less desirable than earnings by way of salary or wage; and in fact they are taxed even more severely. Pensions provide a striking example of how muddled our thinking is in this respect. Pensions are regarded as deferred pay, and are rightly treated as earned income; but where a professional man has to provide for his own old age the income from his savings is not regarded as earned.

NATION'S WAGE PACKET

Much of this review has been devoted to the supremely important problem of our future exports, and to the bearing which the cost factor, the delivery date, the encouragement of savings, and the provision of bank finance have on this problem. It is a pity that the figure of our monthly exports cannot be made as exciting as a football "league table"; since if we lose our place in the export "league table," it is our bread and butter that is at stake.

If it were widely understood that the monthly export figure is in effect the nation's wage packet, with which to go shopping abroad—and we must shop abroad for many things—we should have gone far to achieve that unity of purpose between employers and employed which is so essential to our export trade.

A fair summary of 1953 would be that we have improved our defences, and we have improved our gold and dollar reserves; but that in neither respect have we moved nearly fast enough. We have not yet won back to a position of real security—and already it is almost nine years since the war in Europe ended.

ARTHUR GUINNESS, SON AND COMPANY, LIMITED

EFFORTS TO COMBAT RISING COSTS

LORD IVEAGH ON SUCCESS OF REORGANISATION

The annual general meeting of Arthur Guinness, Son and Company, Limited, was held on January 21st, at Park Royal Brewery, London, N.W.10.

The Earl of Iveagh, CB, CMG, chairman of the company, presided, and in the course of his speech said: Ladies and Gentlemen,—You have seen the annual report and accounts for the year ended September 30, 1953, and you will be as glad as I am that we are again able to show an advance in profits on previous years. The net profit of the group attributable to your holding was £1,838,576, as compared with £1,663,178 in the previous year. This is arrived at after deducting from the gross profit, depreciation, provision for pension fund, taxation here and in Ireland and sundry other items amounting to well over £3½ million as have been set out in the consolidated profit and loss account.

Our sales in Great Britain showed an increase over the previous year. It was not a spectacular increase; but we are more interested in steady advance that we feel we can consolidate than a fortuitous burst to be followed possibly by subsequent recession. It would be rash to prophesy, but I can say that the results in this country since September, 1953, continue to indicate progress. In Ireland the position is still affected by the very heavy rise in excise duty in the Budget of 1952.

In regard to exports, we had a slightly lower total than in the previous year; but latterly exports have been, over a period of some months, actually running at a rate that has not been reached since the palmiest days of our export market before the first world war. I would like to pay a warm tribute to the management, and that means especially Mr Fawcett, the chairman of our subsidiary, Guinness Exports, Limited. Exports are a comparatively small item in our total production, but they are of considerable importance both to the company and nationally.

CONTINUED RISE IN COSTS

Costs, generally, I am afraid, have continued to rise. As I mentioned last year, the cost of materials had shown some reduction, and that has helped, but, unfortunately, rises in many other directions more than offset the saving in respect of materials. We are, therefore, still in the position to which I have drawn attention on previous occasions, namely, that only our intensive drive for economies, our very considerable mechanisation, and our success so far in expanding sales, have enabled us to maintain our total profits. The actual unit margin of profit has been eaten into, and in some directions is too low.

EXPENDITURE ON MODERNISATION

We have not yet finished our heavy programme of capital expenditure, but we are drawing to the close of this postwar period of modernisation, from which we are already reaping many benefits. The two new ships are at work, and bulk delivery from Dublin to the North of England, by means of large transportable tanks, has commenced with complete success. Our fleet of road and rail tankers at Park Royal is now nearly complete, and we are delivering from Park Royal more

than 70 per cent by tanker and slowly making our way towards the 80 per cent figure.

INCREASE IN DIVIDEND

There is, all round, good reason, in my opinion, for moderate optimism and confidence; and it is in this feeling that your board has recommended that there should be a small increase in the total dividend this year. The shareholders may justifiably feel that they have had a long wait; seeing that even with the present increased dividend you are only getting just above what you were in the years before the war. If one takes into consideration, as one must, the fact that the £1 of 20s. purchasing power in 1938 is now worth only some 8s. 9d., then there is a very long way to go before we shall be able to give shareholders in real value anything like what they were getting before the war. I am afraid that is inevitable. But I believe we have all shareholders with us in our policy that our first tasks are to see that staff and employees are adequately and indeed generously dealt with, and that your property and plant are brought to and kept at maximum efficiency and productivity. Otherwise your investment would not be worth, actually or potentially, what in fact it is worth today.

SUBSIDIARY ACTIVITIES

Before I leave the question of accounts and prospects I have to report that your board considered it necessary to make some reservation in regard to two of our subsidiary activities, namely, the New York Company, and the few small separate bottling companies which are grouped in our subsidiary company, T. B. Hall & Co. As I explained last year we are a minority shareholder in New York; apart from our equity interest we receive a royalty on Guinness brewed and sold in USA. I am bound to say that we have been disappointed at results so far and in the light of experience over the last five years and the inevitably heavy cost of operating in such a vast country and in such a competitive market we felt on our side that it was prudent and realistic for us to write down our original capital investment in the New York business. The position of the USA market is having our continued and critical attention. In regard to our bottling companies, they are functioning in most cases satisfactorily and are serving the specific purpose for which we acquired them, which was to study and improve the bottling of Guinness; but in one or two instances they are facing greatly increasing keenness of competition, and are not proving as profitable as they were when acquired. Your board's object in taking such action is to see, both in the company's and in your own interest as individual shareholders, that there is no dead wood anywhere in the tree.

SUCCESS OF REORGANISATION

The reorganisation of the company has proved entirely satisfactory and efficient, and will prove of increasing value. The remaining legal and administrative details have now been completed; and during the year the two breweries have functioned as separate self-contained subsidiaries with close interlocking relations. From January 1, 1954, the

Dublin brewery is brewing once again of its own birthright and without the formal necessity of a licence under the Irish Control of Manufactures Acts of 1932 and 1934. The logical ultimate position, we feel, is that the full control of the Irish subsidiary should be in Ireland, but that is a matter the decision in which rests with Her Majesty's Treasury.

At the end of another successful year, I know that you would wish to pay tribute to the staff and labour in both countries. They have done a good job; and I am glad to add that throughout the year at both breweries we have been a happy team.

The report and accounts were unanimously adopted and the recommendation of the directors approved for the payment of final dividends on January 22nd of 3 per cent on the preference stock and 11 per cent on the ordinary stock, both less income tax.

The retiring directors, Lady Patricia Lennox-Boyd and Mr Henry Channon were re-elected. It having been decided that the remuneration of the auditors, Messrs Turquand, Youngs & Company should be fixed by the directors, the proceedings terminated with a vote of thanks to the chairman, directors, staff and employees, proposed by Mr Bernard Binsted and seconded by Mr Beer.

THE SOUTH WEST AFRICA COMPANY

The annual general meeting of The South West Africa Company Limited was held on January 15th in London.

After reviewing in detail the year's results, which he described as disappointing and due mainly to the fall in metal prices, Sir Dougal Malcolm, KCMG (the chairman), said: "As regards the current financial year, I think I can say that our feeling is one of cautious optimism. Whilst on the one hand the prices of lead and zinc remain at a low level when compared with the prices ruling during our peak year of 1951-2, on the other hand the production of lead/vanadium concentrates at Abenab West has increased substantially in recent months, thus reducing the cost per ton of concentrates to a considerably lower figure. As regards vanadium, however, sales unfortunately do not show signs of immediate improvement.

Progress of our operations on the tin and wolfram ore bodies in the Brandberg area the west of the territory has been encouraging, and with the starting up of the plant at Brandberg West a substantial increase in production has been effected, resulting in a reduction in the cost of concentrates produced. On the other hand, although the price of tin has remained steady over the past few months, wolfram has continued to drop. Economic exploitation is considered possible on the present scale of operations and prices for these metals below those at which they now stand. Consideration is, however, being given to enlarging the scope of operations with a view to a reduction in production costs to meet such eventualities.

It has become clear that without the provision of further working capital the company will find it increasingly difficult not only to maintain its present scale of mining operations and to expand where such expansion would appear to be desirable, but also to carry out the extensive prospecting operations called for in that area where lead, zinc and vanadium occur, as well as on the tin/wolfram occurrences, and negotiations are in hand for the provision of further working capital with this object in view.

The report was adopted and the total dividend of 2s. per share was approved.

THE UNION DISCOUNT COMPANY OF LONDON

LORD KENNET'S STATEMENT

The annual general meeting of The Union Discount Company of London, Limited, will be held on February 18th, at 39, Cornhill, London, E.C.

The following is the statement by the chairman, The Rt Hon Lord Kennet of The Dene, PC, GBE, DSO, which has been circulated with the report and accounts for the year ended December 31, 1953:

In 1953 the company capitalised the balance of its share premium account, £380,667; and also capitalised from reserve account a balancing sum of £30,000, making £410,667. This amount was distributed proportionately to shareholders as fully paid stock. The purpose was to simplify the balance sheet.

During the past year the discount market was working out the consequences of the return to some measure of relaxation of control and to greater flexibility of rates which had been experienced in 1952, and which was confirmed by the reduction of bank rate to 3½ per cent in September. The success of the operation, by which £552 million 1½ per cent serial funding was converted, leaving only £25 million to be repaid at maturity, showed the efficiency of the market in short-term British Government securities under present conditions.

The reduction of bank rate was considered, and no doubt rightly, not to indicate any change in the general policy of the Government for checking inflation, but rather as a measure of realism, to maintain the efficiency of the rate by bringing it into relation with the actual state of the money market. Under present conditions, changes, when they come, should no doubt equally be considered as measures of adjustment to established conditions, not changes of policy.

GREATER MEASURE OF FREEDOM

Events of some interest as further relaxations of control were the return to local authorities of freedom to enter the public market; and the return to banks of freedom from Treasury control of the terms of loans made by them for approved capital uses.

The rates for both Treasury Bills and the ordinary Bills have been steady, at the lower level which followed the reduction of bank rate. There has been some increase in the supply of Commercial Bills, reflected in a slight increase in the discount rate. There has been greater activity in the Commercial Bill rate, with the result that it is now very little above that for Treasury Bills.

A year ago I wrote that the stream of capital at the turn of the wheels of industry was still inflating, that there was still inflation concealed in its fall, and that the only effective government measure to increase the stream was to reduce public expenditure and taxation. There is another effective measure, simultaneously to increase production, but that is not in the hands of the Government. These observations are not out of date.

BALANCE SHEET FEATURES

Compared with last year, there is a reduction of £21,892,565 in the balance sheet total. There was a sharp decrease of £62,224,552 in the total of bills discounted;

this decrease in our holding, in so far as it concerns Treasury Bills, may be partially explained by the increased interest in this form of investment from outside sources. The total of investments increased by £31,681,497. The other notable change in the assets side of the balance sheet was the sharp rise in loans on securities to £9,895,271. This increase merely reflects your company's ease in funds on its balancing date. Net profits show an increase of £45,895, making a carry forward of £1,061,603, and from this figure the directors have transferred £300,000 to reserve account, with the result that your company's capital and reserve will amount to £8 million.

Owing to the pressure of his engagements, Mr D. J. Roberts has resigned the deputy chairmanship of the company, but remains a director. The board has elected Mr E. O. Faulkner to be deputy chairman. We thank them both, Mr Roberts for his long and able discharge, of the responsibility and Mr Faulkner for being willing to undertake it.

We thank the banks and finance institutions which give us their goodwill and most helpful co-operation, and we thank, too, the management and staff for their services, conducted throughout the year with the utmost efficiency and diligence.

ALEXANDERS' DISCOUNT COMPANY

A SUCCESSFUL YEAR

SIR ERIC GORE BROWNE'S STATEMENT

The eighty-sixth annual general meeting of Alexanders Discount Company Limited will be held on February 17th at the registered offices of the company, 24 Lombard Street, London, E.C.3.

The following is the statement by the chairman, Sir Eric Gore Browne, DSO, OBE, TD, which has been circulated with the report and accounts:

Once again I have to express the sincere regret of all who are concerned with the fortunes of Alexanders Discount Company Limited in the resignation of a member of the board, to whom the success and continued progress of this company are in particular so largely due. Lord Colgrain was elected a director in 1912. He was chairman from 1916 to 1950. Thus for over forty years it fell to him to take an active part in framing our policy during some of the most difficult years in the development of the London Discount Market. The figures which we now present are a tribute to his leadership. We are very grateful to him. In his place your board has appointed Mr S. J. L. Egerton. He is chairman of Messrs Coutts and Company and a director of the National Provincial Bank, Limited. We count ourselves fortunate in having obtained the services of another experienced banker.

The chief event in the London Money Market in the year 1953 was the reduction in the Bank Rate on September 17th from 4 per cent to 3½ per cent. The rate at which the Bank of England remained unchanged at 3½ per cent while other money rates and bill rates were reduced by at least ½ per cent, and Bank Bills by ¾ per cent and more. In the words of the Chancellor of the Exchequer: "The Bank Rate has been doing good and useful work as an instrument of monetary policy," but it must not be forgotten that the use of the instrument of the Bank Rate cannot achieve complete success,

in our fight for recovery, unless it is accompanied both in the domestic and in the national sphere by every possible effort to live within our means.

THE ACCOUNTS

We have had a successful year. If you will turn to the balance sheet you will see that the deposits are £141 million compared with £129 million the previous year, while bills discounted are £75 million compared with £80 million, and British Government securities £68 million compared with £52 million. Our balance sheet total is £145 million compared with £134 million, while the outstanding position which Her Majesty's Government plays as a borrower in the London Market is again emphasised by our turnover for the year in Treasury Bills of about £2,000 million. Our turnover of Commercial Bills was less than £100 million. The profit and loss account shows a balance of profit of £281,600, an increase of £105,050. We propose to recommend the payment of the following final dividends for the year 1953:

6 per cent cumulative preference shares £2 each, fully paid.

3 per cent—making 6 per cent for the year.

Ordinary shares £2 each, £1 paid.

12½ per cent—making 20 per cent for the year; plus a bonus of 5 per cent.

Both dividends and bonus, less income tax at 9s. in the pound, to be paid, subject to approval, on February 25, 1954, to those shareholders whose names appear in the register at the close of business on February 5, 1954.

My colleagues and I are anxious that there should be no misapprehension by any of you in regard to this bonus which we are happy to be able to recommend to you in respect of the year 1953. I ask you to regard it merely as a tangible token of one very successful year, carrying no implications as to our chances of being able to repeat it in the future.

DUAL ROLE OF LONDON DISCOUNT MARKET

As I see the position of the London Discount Market today, it has a dual role to play in our national economy. The first is its traditional and primary role of buying and selling bills of exchange in their great variety. And the second, which through force of circumstances has of recent years fallen to its lot, is to provide a free market in short dated Government securities. In fulfilling these functions, especially the latter, there is a serious element of risk, and it behoves your board, with every consideration for you the shareholders, to maintain its policy of building up and maintaining our resources. It is by this policy, and this policy only, that we shall be able to face with confidence a future, which, not only in its domestic but also in its wider and international aspects, does not, for the British Commonwealth of Nations, yet rest on firm foundations.

A proposal will be put before you for an increase in directors' fees. At present these amount to £8,000 and they have remained at that rate since 1931. It is proposed to increase this figure to £12,000. In the days in which we live, and having regard to the progress of the company, we hope that you will regard the increase now proposed as not unreasonable.

Our gratitude is once more due to Mr Macnaghten, our manager, Mr Dawkins, his deputy, to their assistants and to the whole staff. One and all have given of their best to your interests, and deserve our most cordial thanks.

WEST RIDING WORSTED AND WOOLLEN MILLS

A MOST SATISFACTORY RESULT

SIR JOHN KEELING ON WOOL PRICES

The twenty-fifth annual general meeting of West Riding Worsted and Woollen Mills, Limited, was held on January 27th at the Midland Hotel, Bradford. Sir John Keeling (the chairman) presided.

Before the official business of the meeting commenced the chairman referred to the great loss which the company had sustained by the death of his colleague, Mr John William Shelton, on January 10th, and said that the passing of this grand old man would be mourned by countless friends. The chairman paid high tribute to Mr Shelton's outstanding character and ability, his life-long devotion to his business, and the invaluable services which he had rendered to the company up to the last days of his life.

The following is an extract from the chairman's circulated statement: The results for the year to August 31st last were most satisfactory and reflect great credit upon all those responsible for the operation of our operating subsidiaries. We must not, however, overlook the importance of the large sums of money expended over the past ten years in bringing our plant and machinery up to their present high state of efficiency.

The profit of the group before taxation amounted to £1,585,767, an increase of £780,894 over the previous year. Taxation has again absorbed more than half of the profit and there has been provided for this purpose £823,312; the net profit of the group, after making provision for taxation, was therefore £762,455, an increase of £418,398 over the previous year. No provision was required for excess profits levy, and, as this unfortunate tax terminated on December 31, 1953, we have, thanks to the good standard of the group, escaped its ill effects.

On April 28, 1953, the issued ordinary capital was increased from £809,944 to £1,214,916 by the capitalisation of reserves, shareholders receiving one new ordinary share for every two ordinary shares held.

Your board recommend that the dividend for the year on the increased ordinary capital should be 22 per cent. An interim dividend of 8 per cent has already been paid and the final dividend will accordingly be 14 per cent. The amount distributed by way of dividend on the ordinary capital is again somewhat larger than the amount distributed in respect of the previous year. It is conservative in relation to the profit earned, but it follows the policy which has been so successful in the past, of building up the group with retained profits.

There are only a few items in the consolidated balance sheet to which I need make reference.

I have already mentioned the increase in the issued ordinary capital as a result of which reserves to the extent of £404,972 were capitalised. As, however, the trading profits of the year amounted to £596,544, to which must be added £23,216, being the net effect of other non-trading adjustments, the reserves at the end of the year at £2,661,772 exceeded the commencing figure by £214,788.

The fixed assets at £1,450,678, an increase of £138,969 over the previous year, now include those of an additional operating subsidiary, E. Wadsworth and Sons, Limited, acquired during the year. Stock on hand

and work in progress amounted to £4,603,199, as compared with £3,325,853 for the previous year. This increase was accounted for by the somewhat higher value of wool, the larger turnover of the group, and the stock of our new operating subsidiary. The surplus of current assets over current liabilities at £3,793,590 showed an increase over the previous year of £851,331.

Since the opening of the wool-buying season in Australia towards the end of August there have so far been no very material fluctuations in the price of wool. The general feeling in this country, however, appears to be that a somewhat lower level of price would encourage business and be more realistic.

Personally, I am of the opinion that a moderate fall in the price of wool would be in the best ultimate interests of the industry, and I certainly do not exclude the wool growers, who, in fact, have more to lose than anyone if a high price for wool should encourage the use of man-made fibres. Provided the price is reasonable, the characteristic qualities of wool are such that there will always be a demand for its products.

An interesting development during the year under review has been the establishment of a futures market in wool tops. This is an innovation in this country—unlike cotton, in which there was an active futures market before the war. It has, however, I think, yet to be proved that a futures market in wool will be of the same value to the wool textile industry as the futures market for cotton has been to the cotton industry.

Trading conditions during the past 12 months have possibly been more normal than they have been at any time since the war. The wool trade, however, is one of many industries where it is unwise to forecast the future, so I shall confine my remarks to saying that the results since the close of the financial year have continued to be satisfactory. So far as the remainder of the year is concerned, although trading conditions are not easy and profit margins narrow, and while we may not have the benefit of certain favourable factors which added to our profits last year, I am hopeful that the results will not be disappointing.

The report and accounts were adopted and the final dividend of 14 per cent, making 22 per cent actual for the year, was approved.

J. W. GREEN LIMITED

INCREASING SALES OF BOTTLED BEER

MR BERNARD DIXON'S STATEMENT

The adjourned fifty-sixth annual general meeting of J. W. Green Limited was held at Luton on January 26, 1954.

Mr Bernard Dixon, chairman, presided. The following are points from his statement:

Whereas during the winter months of the year under review bad weather conditions hampered trade to some extent, I am pleased to report that this was largely rectified by improved sales during the second half of the year, which finished on a strong note.

NEW BRANDS LAUNCHED

Last year, in common with many other breweries, we found that the steady increase which had taken place in Bottled Beer sales was beginning to ease. During the year we have successfully launched a number of new brands of Bottled Beer which already have

achieved considerable popularity, and our Bottled Beer sales have regained impetus and are steadily increasing in volume.

Throughout the Group the expenditure on properties has been exceedingly heavy. This is inevitable in the early stages where new groups of properties have been brought in. There will, of course, be a gradual easing of this expenditure, and this should have a beneficial effect on future profits.

REHABILITATION OF PLANT

I am glad to report that we are now at the end of our programme for the rehabilitation of the plant at the Luton Brewery, where every department is thoroughly up-to-date and should give the company many years' service.

It is anticipated that the by-products plant will be in operation in the early part of the new year. Considerable delay has been experienced in obtaining the equipment for this department.

NEW BOTTLING STORE

At our Sunderland Brewery we have practically completed a large, well-equipped bottling store, which should be fully capable of handling our requirements in that area for some time to come.

During the year the company brought into operation a fleet of articulated vehicles for the purpose of supplying some of our better-known brands, such as "Brewmaster," "Dragon's Blood" and "Poacher," to wholesale customers and other breweries in the group. This move has been entirely successful, with the result that these brands are becoming popular over an ever-widening area of the country.

The report and accounts were adopted.

NATIONAL DISCOUNT COMPANY

The Annual General Meeting of the National Discount Company, Limited, will be held on February 17th, at 33 Cornhill London, E.C.

The following is an extract from the statement by the chairman, Commander The Hon Lovel W. Coke, RN:

The balance sheet total amounts to £11 million. Deposits have risen by £3 million £186 million. Bills discounted are reduced by £4 million to £111 million, and Government and Corporation Securities have increased by £7½ million. The liability at the year for bills re-discounted has increased from £10 million to £16 million.

The profit and loss account shows after making provision for rebate, deduction of premiums on securities (in special amortisation), and taxation, an making transfers to contingencies and deducting directors' fees, there is a profit of £369,648. It will be proposed for the forthcoming meeting to pay dividend 5 per cent, less tax, on the "A" and stock, making 10 per cent for the year both classes.

Your directors recommend the issue to the "B" stockholders of a further 758,885 "B" shares by way of capitalisation of part of share premium account in the proportion of one new "B" share for every £3 of existing "B" stock.

In order to have a margin of capital available if and when the directors should consider it desirable to issue the same, it is proposed to increase the authorised capital to £5 million by the creation of an additional 2,300,000 "B" shares of £1 each.

SCOTTISH AGRICULTURAL INDUSTRIES LIMITED

COMPANY'S RECORD TURNOVER

The twenty-sixth annual general meeting of Scottish Agricultural Industries Limited was held in the North British Station Hotel, Edinburgh, on January 21st, the chairman, Sir William Gavin, CBE, presiding. In the course of his remarks the chairman said:

The annual report includes for the first time a financial summary of results for the past seven years, i.e., from 1947. From this you will see that gross sales for the year under review amounted to £20,513,026, and group profit before providing for taxation to £976,147. Both these figures are the highest so far recorded in the history of the company. The increase in the value of sales is mostly due to more trade and not to higher prices.

Depreciation has been charged at £353,570 which is £46,309 higher than last year and represents some 20 per cent of the book value of fixed assets. This is, of course, in excess of the amount which will be allowed when computing liability for income tax. We have also set aside £50,000 against possible falls in the value of stocks.

Shareholders will agree, I am sure, with these prudent steps in view of uncertain markets and the ever-present need for keeping buildings, plant and equipment up-to-date, which can only be done today at very high cost. Expenditure on fixed assets for the year amounted to £450,000. Increased turnover and working costs have also called for nearly £170,000 more working capital, making an additional capital requirement for the year of £620,000. You will note that this has been provided from the company's own resources.

The balance of group profit, after paying preference dividends, was £362,881 compared with £281,605 for the previous year. As already announced your directors recommend an increase in the ordinary dividend from 7½ per cent to 9 per cent. This, if approved, will absorb £101,772, leaving an undistributed profit for the year of £261,109. After transferring £239,516 to general reserves, the balance carried forward on the consolidated profit and loss account was £271,846, compared with £250,253 the previous year.

The report and accounts were adopted and the ordinary dividend of 9 per cent was confirmed.

THE MIDLAND BRIGHT DRAWN STEEL AND ENGINEERING COMPANY

The seventh annual general meeting of The Midland Bright Drawn Steel and Engineering Company, Limited, was held on January 26th in Birmingham, Mr H. Hipkiss, MInstBE (chairman and managing director), presiding.

The following is an extract from his circulated statement: The trading profit earned, while showing some reduction on last year's exceptional result, is, in the opinion of the directors, satisfactory.

During the year under review we experienced the return of a keenly competitive market. The relief from material and labour shortages was quickly followed by the falling off in trade, due, among other causes, to the export restrictions. These conditions in-

fluenced customers to restrict their buying to cover immediate needs and resulted in a sharp fall in turnover at one period during the year. We have, however, shared in the improvement that has subsequently occurred and the outlook is generally brighter.

The trading profits of the year have decreased from £313,933 to £224,837. The main contributing factor, apart from the exceptional results of 1952, was the difficulty experienced in the non-ferrous side of the group's activities, where fluctuations in the price of raw material have, to a greater degree than elsewhere, affected the sales.

With regard to the current year, providing trading difficulties do not appreciably increase and industry is not further burdened by heavy increased costs, we can look forward with confidence to another satisfactory year.

The report was adopted.

RAMBUTAN, LIMITED

The forty-eighth ordinary general meeting of Rambutan, Limited, was held on January 20, 1954, at the Registered Office, Redruth.

Mr Donald W. Thomas (chairman) presided.

The report and accounts for the year ended June 30, 1953, having been circulated for the prescribed time, were taken as read, as was also the acting chairman's statement, circulated with the report and accounts, which was as follows:

Shareholders will observe from the directors' report that Mr Stanley Wickett retired from the position of chairman of the company on December 31, 1952, and that he was succeeded in office by Mr D. W. Thomas, who has been a director of the company for thirty years.

Mr Wickett, previous to his resignation, had been chairman of the company for ten years, and his decision to retain his seat on the board, which he has held since his appointment in 1912, gives his colleagues the greatest pleasure, and they hope they may long continue to have the benefit of his wise counsel and advice.

Mr D. W. Thomas is now in Malaya making an inspection of the various mines comprising the Gopeng Group, of which Rambutan, Limited, is one.

During the financial year ended June 30, 1953, 80.22 tons of tin ore were recovered from 301,500 cubic yards of ground treated. This compares with the 1951-52 production of 81.49 tons from 268,600 cubic yards.

The accounts for the financial year submitted herewith show a gross profit of £9,301 as compared with £7,855 in the previous year. A total of £7,902 was paid to the Malayan Government in respect of tin ore sold during the year, and £9,265 provided for United Kingdom and Malayan taxation.

Two interim dividends, a total of 8½ per cent, paid to shareholders on account of profits for the year absorbed, after taxation, £4,688. The sum of £1,853 has been written off capital expenditure and £2,000 transferred to general reserve, leaving a balance of £12,429 on profit and loss account, which the directors propose to carry forward to the current year.

Rehabilitation and War Damage Awards: The awards have now been agreed as follows:

Towards costs of rehabilitation	£10,190
Compensation for assets lost in 1941	582
	10,772

Before June 30, 1953, a distribution of 75 per cent was received—and this, as is shown in the balance sheet, amounted to £7,602 (on rehabilitation account), an initial repayment of £41 having previously been credited. Seventy-five per cent of the compensation for assets lost in 1941—£436—has also been received, and is shown in the profit and loss account. These together reconcile the figure of £8,039 shown in the balance sheet as the interim payment on account of the award. It is understood that repayments to be made will not exceed 90.4 per cent of the awards. The directors have accordingly deemed it prudent to write down the balance of the rehabilitation account to £1,569—the amount which the company has since received. A transfer from the general reserve account of £4,057 has provided for the excess of rehabilitation expenditure over 90.4 per cent of the awards.

The report of our general managers, Messrs Osborne and Chappel, appended hereto, gives particulars of work done at the mine during the period under review. It will be noted that in July, 1952, Malayan Government legislation provided for the establishment of a compulsory employees' provident fund to which both employer and employee contribute approximately 5 per cent of the employee's wages. Shareholders have been advised of the output for the first three months of the current financial year, a total of 21½ tons, and it is anticipated that satisfactory returns will continue. The price of tin was well maintained until April, 1953, when it fell by approximately £200 per ton metal and further declined to the uneconomic level of £568, equivalent to £409 per ton tin ore. Latterly there has been some improvement, but few Malayan producers can work at a profit and provide reserves to ensure the future with tin at its present price.

The reconvened International Commodity Conference on Tin recently completed its second session at Geneva. A draft International Agreement was prepared for detailed consideration by the Governments and members of the industry concerned and it is to remain open for acceptance from March 1 to June 30, 1954. In the meantime an International Tin Council has been set up in London.

There was a general improvement in the security position during the year and no incidents occurred on the company's property. Constant military patrol of the district continues as a precaution.

It is my privilege to record our thanks to the general managers, the resident manager and staff at the mine, for their loyal service under conditions which, although showing improvement, are nevertheless difficult.

Before moving the adoption of the accounts Mr Donald Thomas thanked Major W. E. Hosking for all that he had done during his term of acting chairman. He advised shareholders that he had recently visited the property on a number of occasions and that he had been very pleased to see the developments taking place at the mine.

The statement of accounts and balance sheet, together with the directors' report, were received and adopted.

At a later stage in the meeting the chairman proposed a vote of thanks to the general managers, the resident manager, and the staff at the mine. He added that as a consequence of his visit to Malaya he had been able to appreciate the difficulties under which the staff were living. In this connection he wished particularly to accord appreciation of the services of Mr F. Bede Cox (resident manager) who would be retiring shortly after service with this company and associated companies of over thirty-three years. Mr and Mrs Bede Cox would be very much missed by their friends in Malaya and he wished them a very long and happy retirement.

TOWN INVESTMENTS, LIMITED

A YEAR OF FURTHER PROGRESS

The thirty-first annual general meeting of Town Investments, Limited, was held on January 22nd in London.

The Viscount Buckmaster, the chairman, who presided, said:

The past year has been one of further progress. In it the consolidated revenue of the group has increased from £321,733 to £334,330.

The parent company, as you are aware, is, for taxation purposes, regarded as a "dealing" company. As a result, if any of the company's properties are sold at a profit, income tax and profits tax are payable on the difference between the purchase price and the price realised. While there are compensating advantages, this position, none the less, makes it difficult to take profits and reinvest.

As a property company we are faced also with the unfortunate situation that sums set aside for the amortisation of leaseholds are not allowed as a charge against profits for the purposes of income tax and profits tax.

The Government have at last made an attempt to solve the almost insoluble problem presented by the Rent Restrictions Acts. Whatever the final form of the Bill may be, the effect on the companies of the group is not likely to be considerable.

As far as fresh purchases are concerned, the board has a number of propositions in hand, and are also prepared to consider opportunities for investment overseas.

The report was adopted.

THE AVON INDIA RUBBER COMPANY

ENCOURAGING INFLOW OF ORDERS

The sixty-fourth general meeting of The Avon India Rubber Co., Ltd., was held on January 27th at Melksham, Wilts, Major R. F. Fuller, DL (the chairman), presiding.

The following are extracts from his circulated statement:

Throughout the year the price of rubber has continued to fall which has entailed a continuous writing down of stocks, which in total has been greater than the amount previously set aside as a raw materials reserve. It was therefore decided to make use of this provision, and the amount of £80,000 has been brought in. Including this, the net balance available amounts to £150,954, compared with £137,001 last year.

Our turnover in the past year, although greater in volume, did not reach the level of the previous year in value. Selling prices of our products have been reduced at an even greater rate than the fall in manufacturing costs. The current year has opened with an inflow of orders which is very encouraging.

Production at Bridgend has continued to progress and we are employing nearly double the number of workers as compared with the same time last year.

Our organisation in British East Africa has operated successfully in spite of the disturbed conditions. The factory of Avon Tyre Remoulding Services, Limited, is now in operation.

Our many and varied connections overseas have been maintained and attention is continually devoted to expansion of this sphere of operations.

The report was adopted.

THE POWER-GAS CORPORATION LIMITED

LARGER PROFIT

The fifty-fourth annual general meeting of The Power-Gas Corporation Limited was held on January 28th in London, Mr N. E. Rambush, DSc (Hon), MICHEM, FRSA (chairman and managing director), presiding.

The following are extracts from his circulated statement for the year ended September 30, 1953:

Your directors, having considered the profit available and the strength of the company's position, recommend a dividend at the rate of 10 per cent plus a special bonus of 2 per cent, both less tax. Profit on trading and other income for the group was £765,737 (£725,610 in 1952); current taxation £333,973 (£320,922); group profit after deduction of all charges, including taxation, £269,936 (£261,243).

Orders booked during the year amount to £6½ million, slightly less than the peak figure of last year. The value of orders from the iron and steel industry is the highest in our history.

Orders for the chemical industry have been maintained at a satisfactory level. We continue to contribute substantially to our country's export trade and orders have been received from almost every country in the world with which British trade is possible.

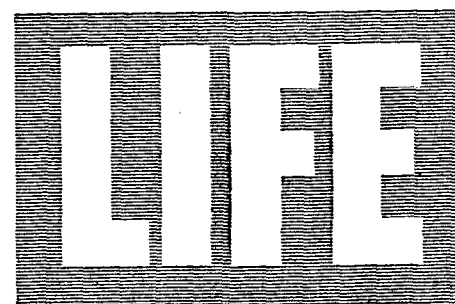
During the year our resources have been fully employed and production in the old works and the partly constructed new works at Stockton and also at erection sites has increased considerably. Orders on hand will keep us busy for some time to come. Overseas markets continue to engage our constant attention.

The report was adopted.

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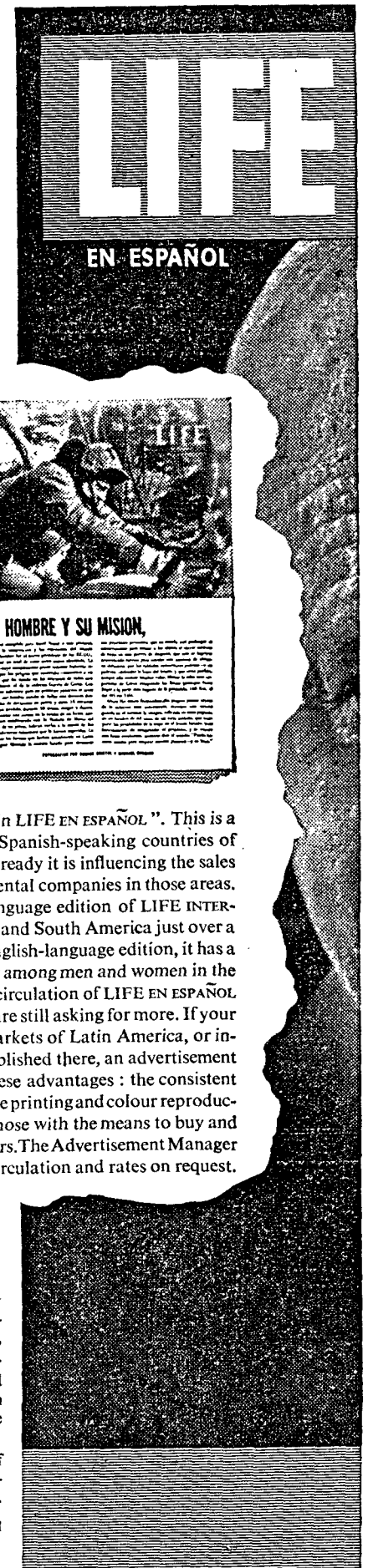
en español"

LIFE EN ESPAÑOL—average net paid circulation 200,000-250,000 copies in Spanish, circulating in Central and South America.

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MANAGING DIRECTOR of a well-known public company requires a first-class secretary-shorthand typist. The successful applicant will preferably be aged 23-33 and of good appearance, education and background. University degree and knowledge of languages an advantage but not essential. Applicant must be a thoroughly proficient shorthand-typist with a sound understanding of modern filing systems and executive office procedure. Good salary, conditions and prospects for a girl with ability, initiative and personality and a willingness to work hard.—Box 439. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

THE METAL BOX COMPANY LIMITED have a vacancy for a General Research Assistant (male) in their Market Research Section. Candidates should be of good education (not necessarily University) and should have had about two years' market research experience. A good personality, commercial sense and an ability to write clear and accurate reports are essential. Experience of sampling survey techniques desirable.—Write, giving full details, salary required, etc., to Ref. No. MR/3, Staff Division, The Langham Portland Place, London, W.1. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

SOLICITOR required to take charge of Legal Department of large industrial concern in North West with head office in Manchester. Applicants must be experienced and energetic lawyers who will take a real interest in the activities of the concern, be able to run a busy office concerned with commercial and general work and a substantial amount of common law litigation. Salary will be according to qualifications, but not less than £2,000 per annum.—Applications should be submitted by February 12th to Box 433.

PRINCIPAL ASSISTANT-SECRETARY required by the Scottish Council (Development and Industry). The post will be a responsible one requiring adaptability and resource. Administrative and/or business experience essential. Salary according to qualifications. Applications, with not more than three relevant testimonials and specifying three persons to whom reference may be made, should be addressed to the Secretary, The Scottish Council (Development and Industry), 1 Castle Street, Edinburgh, 2.

THE BRITISH FEDERATION OF MASTER PRINTERS invites applications for appointment to headquarters Secretariat. Applicants should be in the age group 24 to 32, preferably with experience in the printing industry. Commencing salary in the range £500-£800 per annum according to age, experience and qualifications. Details of education, employment to date, age, etc., to be submitted by letter to the Secretary, British Federation of Master Printers, 11 Bedford Row, London, W.C.1. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

MILFORD-ASTOR Automatic Presentation Machine Model No. 7M2, complete with all accessories (founts of type, etc.) for producing showcards and displays of all kinds in plastic and board. Unused.—Apply Box 432.

PROGRESSIVE Member Firm with first-class connections North America and Britain, requires ambitious, experienced man to head their American/Canadian department.—Write in strictest confidence, qualifications, experience and salary required to Box 443.

NATIONAL FOUNDATION FOR EDUCATIONAL RESEARCH IN ENGLAND AND WALES

Applications are invited for the following appointment, to commence on September 1, 1954 (unless otherwise arranged).

STATISTICIAN to be responsible for the development and operation of a statistical unit in the service of the Foundation's research and test construction programmes. The appointment will be for five years in the first instance at a salary in the range of £700-£900 per annum according to qualifications and experience. Superannuation scheme. Candidates should have either an Honours degree in Statistics or in Mathematics with specialisation in statistics (experience in psychological or educational measurement would be an asset), or an Honours degree in Psychology or Education with specialisation in the application of statistics to psychological and educational problems. A sound knowledge of the theoretical basis of statistical methods and of the principles of experimental design, together with some experience of their practical applications, will be required.

Applications for the above post, on the special form provided, and giving names of three referees, should reach the undersigned not later than February 17, 1954. Forms and further details on request, BEN S. MORRIS, Director, 79 Wimpole Street, London, W.1.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA invites applications from suitably qualified British subjects, not older than 32 years of age, for the post of ASSISTANT TRUST OFFICER at Singapore. A knowledge of taxation will be a recommendation.

Applications, or requests for further information concerning the appointment, may be addressed to the Secretary of the Bank at 38 Bishopsgate, London, E.C.2.

MANAGEMENT Consultants are required by the Wallace Attwood Company. Applicants between the ages of 30 and 45 must possess a University degree or technical equivalent in engineering and have held responsible executive positions. A thorough practical and current knowledge of the organisation and routines of industrial concerns is essential. Substantial salary and excellent prospects are available. Replies in confidence to Chantrey House, Eccleston Street, S.W.1.

EXECUTIVE, 40, at present Company Secretary (3,000 employees), owing to amalgamation seeks responsible management post. University degree, qualified lawyer, chartered secretary, experienced all company secretarial work, including modern accounting systems, pension funds, staff control and general administration. Highest references. Free within a reasonable period. Box 444.

PART-TIME WORK required by Economic Research Assistant.—Box 440.

EXECUTIVE (36). Qualified Accountant, Secretary, Economist, good experience other fields, seeks change to post demanding creative ability. Present income £1,300.—Box 431.

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YOUNG, experienced Economist seeks commissions to write articles, reports or undertake part-time research.—Box 435.



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FEBRUARY 6, 1954

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Weapons to End War?

MILITARY power should be the servant and not the master of policy. If that has been a sound principle in the past, it is a vitally important one for the era of atomic strategy, when new weapons present old temptations as well as new possibilities. Atomic power offers to the fighting man what he has sought ever since warfare began—the possibility of achieving surprise with decisive concentration of destructive power. To the statesman who is told that attack is the best defence (no completely effective defence against atomic bombing yet exists) it offers weapons simpler and less costly in manpower, though hardly in money, than the complex array of what are now called conventional forces. From the moment the first atomic bomb was dropped on Japan in 1945 it was clear that no great power could or would dispense with this and similar weapons unless, by a miracle, all great powers could agree to dispense with them simultaneously. And now, as a climax to vast expenditure of resources, there has emerged the simple and dazzling idea of the master weapon and the overwhelming deterrent to aggression—the nostrum against total war. For obvious reasons of geography, industrial power and national psychology the idea has a special attraction for Americans; for the Russians, too, it may well seem to be the master weapon which will one day assure the safety of the Soviet Union and the permanence of the revolution that it has brought about in the land mass between Germany and the China Sea. And now the idea, in more modest and cautious form is beginning to form the basis of British strategy.

Simply to say that the idea of keeping peace by a threat of limitless horror is alarming and horrible gets no one anywhere. War itself is horrible and wicked, and if the choice is really between years of "conventional" war and a single night of atomic bombing, who can say which is the more horrible and the more immoral? Indeed, it can be argued that the only way to stop war is to create the certainty that he who starts it will himself suffer horribly and at once, and that the purpose of a great power's strategy should therefore be to pile up the most gruesome deterrents with a margin of superiority over the defences of likely aggressors. It is this argument that needs careful scrutiny. For what is involved is not only the distribution of the British resources allocated to defence, but also the whole planning of the Atlantic alliance in which the United States is a dominant partner. For the American reliance on atomic weapons may point clearly—in the long, if not the short, run—to "peripheral strategy" and to the reduction of American ground forces stationed abroad. And this possibility affects here and now the future security and political shape of the approaches to Britain across the Channel.

The American thesis was clearly stated by Mr Foster Dulles on January 12th before the Council of Foreign Relations. He attributed to the Republican Administration a new "basic" decision, "to depend primarily upon a great capacity to retaliate instantly by means and

at places of our own choosing." "Local defences," Mr Dulles insisted, "must be reinforced by the further deterrent of massive retaliatory power."

We need allies and collective security. Our purpose is to make these relations more effective and less costly. This can be done by placing more reliance on deterrent power and less dependence on local defensive power.

Similar statements, some of them less restrained, have been made by other American spokesmen; and it is to be hoped that British ministers will not again be entirely silent on the question of atomic strategy when the White Paper on Defence and the estimates themselves come up for discussion in the weeks ahead. Certainly the present emphasis on creating a British strategic bombing force can be justified only by similar lines of argument.

This idea of the master-deterrent has obvious attractions. It seems to offer a way to peace and security to which purely defensive measures offer at the moment no alternative. Perhaps guided missiles will offer the alternative—but not yet. It brings into play one of the few respects in which the western alliance can hope to maintain military superiority over the great Soviet-Chinese bloc—industrial potential and technical skill and scientific ingenuity. It is specially attractive to the United States and Britain, two powers which have to find in the age of aircraft and missiles the substitute for the old maritime strategy. But it is one thing to devise new weapons and train men in their use, and quite another thing to think and decide about their use. To be satisfied with the present high level of expenditure on research into, and production of, atomic weapons one must have an opinion about the assumptions underlying American thinking.

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Clearly, three conditions must be fulfilled if a deterrent is to be effective. There must be known superiority over the defences of a potential enemy; the potential enemy has to be sure that the weapons would be used if aggression is committed; the government wielding the weapon must have the support of a public opinion convinced that it should, if necessary, be used without delay. To set out these conditions is sufficient to show that political—as well as military—decisions are required at every stage, to an extent greater than some military planners realise. The expense of stockpiling weapons that may never be used must be borne by the voter; statesmen must present to the electorate the arguments that have created the policy and seek support for them, lest potential enemies treat the deterrent as a gigantic bluff. If it can be said that this has been done in the United States, can the same be said of this country?

To illustrate the importance of this question it can be recalled that the United States enjoyed a decisive superiority in atomic weapons from 1945 until some time after the first atomic explosion in the Soviet Union in 1949. That superiority was not used to stop the

Korean war in 1950-52; indeed, most or all of America's allies would have opposed any such idea on the grounds that it would spread the war, not stop it. In a situation where war is not declared and aggression can be waged by proxy, the decision for or against using atomic weapons may be far less simple in fact than it appears to an air marshal in theory. It has to be remembered, too, that evidence of a thermonuclear explosion in the Soviet Union last year has brought a new factor into the problem: the probability that the Soviet Union can catch up on the United States faster than was calculated and may one day be able to make and deliver hydrogen bombs. More than ever before, those who think in terms of stopping or winning war by atomic bombing have to reckon with reprisals in kind, with the capacity of their own populations to withstand them, and with all that is implied in terms of costly and permanent civil defence measures.

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Two further questions arise for the layman when he tries to plumb the consequences of atomic strategy. First, against what kind of aggression is "massive retaliatory power" to be used? The question is not academic, because any resumption of hostilities in Korea or any active Chinese intervention in Indo-China would invite—if public statements are to be believed—retaliation, as Mr Dulles would put it, "by means and at places of our own choosing." Is "we" the United Nations, Nato, the American President and the British and French Prime Ministers, or President Eisenhower alone? Is it now the intention to do exactly the opposite of what was done in 1950 in Korea—that is, to say, to extend a local conflict by striking at the source of the aggression? It is, perhaps, better that aggressive governments should be left in doubt on this point; it is certainly not a matter for a public pledge. But it is necessary that the British government—to say nothing of other allied governments—should know how the answer would be decided.

The second question is of special importance to this country. The essential feature of Western Europe's defence as it now exists is the presence in the front line of six American and four British divisions. They were placed there originally in order to stop a sudden thrust westwards by the Soviet striking forces in Eastern Germany. With the passing of time such an emergency has appeared less likely, and those forces have begun to play a semi-political role no less important for the maintenance of peace. Their presence is a guarantee of American and British willingness to watch over and assist in the political, military and economic integration of Western Europe. To the French they are the surety against being left in isolation with a rearmed Germany; to western-minded Germans they are the surety against a revival of aggressive nationalism; to Western Europe generally they provide a shield behind which it can argue about its future. To urge—as is being urged in some quarters in the United States—that their

numbers can be reduced because their original military role can be partly taken over by atomic weapons is to ignore political realities. Indeed, the weakness of the thinking behind the theory of "peripheral strategy" appears to lie in this kind of oversight, in the failure to realise that different weapons and forces are needed to perform different political tasks. There are situations in which a cruiser is more effective than a squadron of bombers, in which the presence on the spot of a handful of soldiers is more effective than the threat to bring up overwhelming force from a distance. Is it certain that the master weapon can or should be used for anything but the major mischief?

The prospect opened up by these questions is baffling, even heartrending. Clearly—barring a miracle—atomic weapons have come to stay and the process of increasing their range, power and numbers will continue. Until diplomacy can create an atmosphere of confidence in which hard sense can be talked about disarmament and international control of atomic power, the fact has to be accepted that atomic weapons will be

Political Pulse

THE Labour party fared very badly at the by-election at Ilford North last Wednesday, but this may have been because most of its supporters felt too cold to turn up. In a poll in which only 45 per cent of the electorate bothered to participate, and in a constituency that had been won by Labour in 1945, but has been safely Conservative ever since, the Conservatives' share of the total votes cast increased by 4.3 per cent above their share at the general election of 1951, the Liberals' share increased by 1.4 per cent, but Labour's share fell by 5.7 per cent. This was the fifth by-election since Parliament's re-assembly last November; in two of the previous four the Labour party had been able to claim a small swing to its side, but in the other two the Conservatives had been able to claim a slightly smaller swing to theirs. In each case there was one common factor: namely, that enthusiasm—and the total poll—ran low. The analyst who seeks to draw firm conclusions from these results is searching for a trend on a half-empty see-saw, which is a disingenuous thing to do.

There are, however, four by-elections now impending—three of them in constituencies that are safely Conservative and one that is safely Labour—and, even though the polls are likely to remain low, the Labour party is going to set great store by the swings they may portray. For Transport House is anxiously aware that if Labour is to face the prospect of the next general election with any confidence, it will have to start increasing its share of the poll at by-elections soon. So far it has fallen very badly behind bogey. It is a customary feature of British politics for oppositions to run ahead of

accumulated as actual deterrents and as potential war-winners. Nor is this merely a dumb acquiescence in hideous necessity. There is clearly something in the doctrine of deterrence. There are some wars that it can prevent. But there must remain uneasiness on three points. First, there seems to be a risk that the strict and literal application of the Dulles doctrine could turn minor and limited hostilities into major conflict—a risk that the launching of a bomber force might start a world war in the effort to stop a local one. Second, there is a risk that British defence policy may devote too many resources to atomic weapons and too few to the forces on which security would depend if, when the time came, the responsible political leaders decided for one reason or another—moral doubts, political uncertainty or simply fear of reprisal—that atomic weapons could not be used (just as poison gas was not used in Hitler's war). Thirdly, there is a risk that the decision for or against their use should be left entirely in the hands of one man. Free men may trust President Eisenhower to act with wisdom, courage and restraint. Can the same be said with certainty of all his possible successors?

Governments in polls in the mid-term between general elections, but for the Government to regain at least some of the lost ground on the final straight. There is probably no deeper explanation of this than that the minority of marginal and non-party voters who bother to turn out at by-elections is a peculiar sample. It is composed, almost by definition, of those who feel most strongly about current issues; and whenever anybody feels strongly in Britain, it is usually against the powers that be.

It is therefore something of a triumph for the Conservatives that they have avoided any clear net swing to Labour since October, 1951; or rather, as the record suggests, it is something of a feat on Labour's part that it has managed to avoid achieving one. The record is worth study; although the figures do not show what the British people can be induced to vote for, they do suggest what it can be induced to vote against. Within very broad limits, the twenty-five by-elections since the present Government took office can be divided into three main phases.

During the first phase, by-elections went as by-elections normally do, in trend against the Government. Three of the four contests during the Conservatives' first nine months of office showed a clear swing to the left, which reached its furthest point in July, 1952, at the now almost forgotten Tory débacle of Dundee East. At that by-election the Conservatives' share of the total vote fell by a full 10½ per cent below their share at the general election; admittedly three-quarters of this loss was picked up by a less-than-usually-queer-fish of a Scottish Nationalist, but the relatively high (71 per

cent) poll in a safe opposition seat registered a clear vote of protest against the Government. No doubt Dundee was exceptional—it felt it had been shabbily treated by the textile recession—but it seems probable that a general election at that time would have swept Labour a good part of the way back to its commanding majority of 1945-50. Along Labour's line of battle that summer there was a jaunty surge up with the bonnets of that shabby Dundee—up and then all the way up, and over the windmill at Morecambe.

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For the second phase in the by-elections, the phase of Tory recovery, dates very clearly from Mr Bevan's apparent accession to a commanding position in his party at the Morecambe conference in early October, 1952. No doubt the success of Tory economic policy—in the tangible form of derationing and decontrols—helped in the process; but it can only have been a subsidiary factor, because at the time the swing began the dash for freedom had embraced only tea, ham and lead. Although Mr Bevan's accession heated the enthusiasm of the hard core of Socialist constituency workers, who always and automatically turn out to record Labour votes at by-elections in any event, it clearly also heated the apprehension of a wider segment of the population than that which always and automatically turns out to vote Tory; and by so doing, in ten separate by-elections between the middle of October, 1952, and early April, 1953, brought the political pendulum back very close to its position in October, 1951.

Indeed it did more than that. Towards the end of this phase, there were signs of a trend not merely back to the 1951 level but a few points further right. It reached its furthest point at the former marginal Labour seat of Sunderland South last May, when a Liberal candidate intervened and—contrary to previous postwar experience—proceeded to take over 4 per cent of the poll from Labour but only just over 1 per cent of it from the Tories. This was sufficient to carry the Conservative candidate home, making Sunderland the first constituency for 29 years in which a Government candidate had won a seat from the Opposition at a by-election. The trend towards the Tories continued at Abingdon last June, with a 75 per cent poll and a very similar swing in a seat with a 5,000 majority.

There has been no very obvious change in the living conditions of the people to account for the change since then—the change to the present phase, of exceptional apathy and even more dangling uncertainty. Indeed, it is a pleasing point for collectors of the absurd that the original swing towards the right started at a time when prices were still rising and industrial production was still flagging; since the cost of living has been stabilised and industrial production has recovered, enthusiasm for the Government has waned—although, admittedly, enthusiasm for its opponents does not seem to have increased.

The answer is probably again mainly to be found in Mr Attlee's return to his own pale version of prominence on the other side of the fence. The alternative to the present Government no longer appears to most people to be composed of frightening men with frightening ideas, but of rather flatulent men with kindly emotions. The policy of that alternative government is no longer regarded as potentially Bevanite, which means that it would be based on irritable sentiments that the British public sometimes like to vent in private but would find alien to vote for in practice—more anti-Americanism as a basis for foreign policy, more nationalisation for industrial policy, and more spite for fiscal policy. Instead the next Labour Government is envisaged as a continuation of the last Attleeite one—a poor thing perhaps but, in essentials, our own. This may not give the people very much to vote for; but, in an unimportant by-election on a cold winter's day, comparatively few people below a certain income level are going to bother to turn out to vote against it.

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The stage has therefore been reached when the marginal voter finds that neither party is capturing his enthusiasm (which is not unusual) but also that neither party is unduly irritating him (which is very unusual indeed). If this phase lasted, it should be a recipe for a result at the next general election that would not be very different from the result at the last one. But to assume that the phase will last is to assume a lot away.

Apathy breeds on uninteresting events and moderate prosperity; and there should be some interesting events—and there may be less prosperity—in the months ahead. Among those interesting events, of course, is the possibility of Sir Winston Churchill's retirement. Normally the loss of a leader should redound to his party's disadvantage (especially if it came just before a general election); but this particular loss has been talked about for so long that marginal Conservatives may take the wrench of having to compare Mr Eden with Mr Attlee without intolerable party strain. Similarly any increase in industrial unrest should in normal circumstances benefit the opposition; but there is always the chance that Labour will manage, as it has in the field of colonial policy, to make public uneasiness on this score rebound in irritation on its own head. Finally, and most important, any American recession will certainly lead to a swing to the left in Britain, if it goes far enough to cause domestic unemployment; but there is always the chance that it may only go far enough to enable Mr Butler to appear again as a man who solves crises by tax cuts instead of by more austerity. In each field the unpledged elector who stays away from the polls at by-elections is waiting to see how statesmen will react to great events; even while Sir Winston is still there nobody now seriously considers that events might be made to react to great statesmen. And that, together with the weather, is perhaps the main explanation of last week's arctic apathy at Ilford.

Cheap Food or Dear Farming

THIS is a crucial year for British agriculture. It is the first year in which the Government guarantees to farmers will have to be operated in the entirely changed circumstances of free markets and unrationed food. The annual price negotiations between Government departments and the National Farmers' Union have just begun. In the farmers' view their outcome will be the vital test of the sincerity of Government policy towards agriculture. Unfortunately, they will be an equally vital test of whether that policy can be made to work in the long run.

The basic problem that the price negotiations must tackle is the mounting cost of implementing the guarantee to British agriculture. So long as the Government was responsible for the purchase and sale of all food, both home-grown and imported, this cost was effectively disguised as part of the general cost of the food subsidies. Since the main function of these subsidies was to keep down the cost of living, they could plausibly be regarded as aids to the consumer. Now that the Government is restoring a free market in foodstuffs, they can no longer be looked on in this light. There is doubtless a consumer element still in a few subsidies, such as that on milk, where production has been deliberately stimulated beyond market requirements because of its nutritional value. But, in general, the subsidies now represent the cost of paying to British farmers prices that are much higher than those prevailing on the world market. Decontrol and derationing generally add to the taxpayers' losses, because the Government is no longer able either to make consumers take an appropriate proportion of the home-grown produce, or to find part of the funds to subsidise home production of food by making a profit on competing imported products. It still does both these things in its manipulation of the bacon ration; but that is now an isolated example.

The total cost of supporting British agriculture in the financial year that is now nearing its end (including direct subsidies to producers as well as the Ministry of Food's trading losses) is not likely to be much under £300 million, and next year, unless firm corrective action is taken, it will be higher. Farmers are as aware as the general public soon will be that their prosperity cannot be floated for ever on such a mountainous load of taxation, equivalent at the moment to nearly 1s. 3d. on the income tax. They are casting around for other ways in which the burden of agricultural protection might be carried.

The first suggestion, which the farmers have already put forward, is that imports should be controlled more tightly, so as to facilitate the disposal of home-grown food. Widespread application of this principle would save the taxpayer money. But it would do so simply and solely by penalising the consumer in the most

objectionable way possible. Danish bacon would presumably be kept out in order that English bacon—50 per cent dearer but not nearly so popular with the housewife—could find a bigger market. Flour imports would be prohibited so as to overcome the unwillingness of British millers to use up the supplies of home-grown wheat which at present are a glut on the market. Except, perhaps, as a protection against dumping of subsidised foreign produce, strangling controls over imports of cheap foreign food are a device that should be ruled out of court.

An alternative proposal is to spread the cost of the agricultural subsidies more widely. For instance, the prewar wheat subsidy was financed by a levy on the milling of all flour, whatever the origin of the wheat. In cases where the proportion of imported to home supplies is high (as with wheat) this is a tolerable way of financing a particular subsidy. But it could not be applied generally, and at the best it is no more than another way of shifting the burden from taxpayer to consumer. It thus avoids the fundamental question, which is how to prevent the subsidisation of British agriculture from becoming too extravagant and wasteful.

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There is in fact no answer to this question except a policy of making the guarantees to British agriculture somewhat less absolute than they are at present. This is a proposal that would be met with cries of betrayal by the farmers themselves. It would in reality be nothing of the sort. The guarantees that farmers at present enjoy go far beyond anything contained in the Agriculture Act itself. In five respects at least the present procedure gives farmers more protection than they can reasonably expect, with consequences that are bound to become increasingly wasteful and costly as a free market returns.

In the first place, the Government's price guarantees cover a broader range of products than is necessary to impart a general measure of stability. Is it really necessary to underwrite the price of duck eggs or to guarantee the market for a minor crop like rye (probably a market twice as large as normal British demand can fill)? Secondly, there is too little assurance that the subsidised products will be of satisfactory quality. For instance, the moisture content in some wheat is too high to justify the price that must be paid for it. Thirdly, there should be a limit to the quantity of production to which the price guarantee applies. The Government has power to impose such a limit, but it is naturally reluctant to take a course which savours of "restrictionism." Fourthly, the price guarantees operate for too long a period ahead. Crop prices fixed now will be in effect up to the summer of 1956, while the mini-

mum prices fixed for livestock products will cover the four years up to 1958. Fifthly, the prices themselves tend, as a result of convention, to be fixed too high. This is indeed the root of the whole problem. If guaranteed prices were regarded (as they should be) as minimum prices, sufficient to give farmers a reasonable measure of subsistence while leaving them to make profits by their own skill and efficiency, then the other rigidities in the price review would matter little. But if guaranteed prices are expected (as they have been) to be high enough to give the least efficient producer some sort of profit in bad times and good, then their conjunction with other watertight guarantees leads to a muddle that can be to nobody's long-run advantage—if only because it cannot endure.

The present state of the grain market illustrates this point. The British farmer is able to buy imported grain at a low price to feed to his animals, while selling his own grain at a high price to the Government. It would not have mattered that the guaranteed prices in this case were fixed years ago, had they been genuine minimum prices; but since they were not, some provision for varying them in line with world prices or with the quantities of grain produced would surely have been an elementary exercise of prudence. The return to the free market ought to be the occasion for firmly enshrining the principle that it is a minimum and not a maximum guarantee of price to which farmers are entitled. That is indeed the main object in switching over to deficiency payments, in place of fixed prices, for cereals and livestock. But the farmers are fiercely determined to prevent this change, and so far their opposition has been successful.

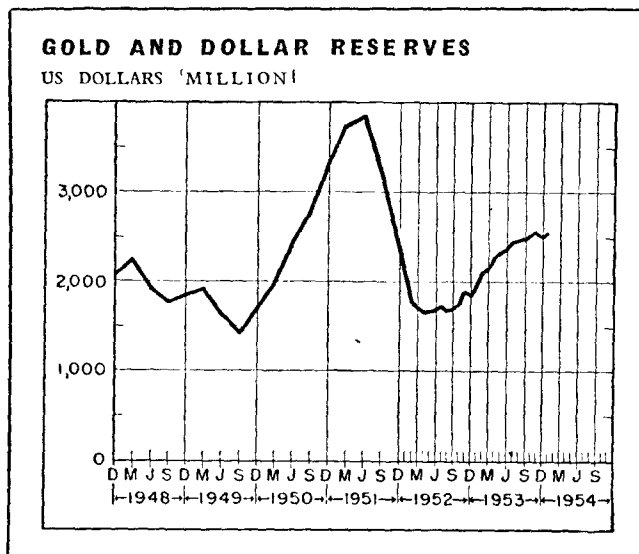
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Only in the case of eggs has the correct principle been adopted, in the teeth of farmers' claims that the minimum price of 4s. a dozen would prove "uneconomic." In fact, the output of eggs has soared and it now seems that the price was set too high. Under the scheme for cereals, the "standard" prices (on which the deficiency payments will be calculated) are the same as, or higher than, the previous fixed prices, despite the fact that world prices are rapidly falling. Under the livestock scheme, each individual transaction will be underwritten with a price guarantee so that the farmers' incentive to study the market will be reduced or eliminated. In all these cases, the new price guarantees do not vary much from the old fixed prices, with the vital difference (from the Government's standpoint) that they must be implemented on a market in which prices are falling and supplies are uncontrolled.

The consequences of this policy are not hard to forecast. As the taxpayers' bill grows still bigger, pressure will increase to restrict supplies, both home-grown and imported (but primarily the latter). It will be said that only by the elimination of "disorderly surpluses"—in other words of a cheap and abundant supply of food—can the nation get proper value for its expenditure on

agriculture. The next step will be that a state-supported system of dear farming will produce its inevitable concomitant of dear food; and the inevitable consequence of that will be a wave of hostility to the farmers among the public that will make Mr Stanley Evans sound like their best friend.

If these things should occur, farmers themselves would not be much to blame. They have been scandalously misled by Governments which for years have neglected all questions of cost in their frequent exhortations to agriculture. The British wheat that is already a glut on the market is the result of an exhortation, only two years old, to grow as much wheat as possible. Thus shielded, farmers cannot be expected to adjust overnight to falling prices and accumulating surpluses. They will expect, and rightly, that the Government should not forget its promises to them in times of plenty. But the Government itself must explain, while the chance is there, that producers cannot expect an unlimited protection under the new conditions. They are entitled to a minimum of stability (no more) on the basis of which they must determine the size of their market according to their own efficiency, and not by reference to Government "targets" implemented as necessary by restrictions and controls. This should not and need not mean a return to the days of dog-and-stick farming. Given Government support and an expanding market for food, the permanent outlook for British agriculture is brighter than it has been for a century. But if it is the Government's duty to protect agriculture against instability or depression, it is the farmers' own task to make their prosperity. The present price review is perhaps the last chance to make this distinction clear before no alternatives are left but to abandon the consumer or to betray the producer. And in the end—it is a pity that British farmers should be misled by their false friends on this matter—it is a simple electoral fact that the consumers have many more votes.



Latin American Customers

THE bad-tempered atmosphere that seems to surround all discussion in Britain of trade with the Latin American republics is not difficult to explain; but, unless it is correctly explained, there is real danger that a national mood of bitter cynicism and defeatism will establish itself. Last year, British traders with Latin America had good cause for alarm. They, who once had supplied a quarter of the region's imports, who had already seen the United States assume a dominant position in the trade, now found both their percentage of the twenty republics' imports and the absolute scale of the trade sliding frighteningly downwards, while their German competitors thrust up past them. Moreover, in the two biggest republics, things were quite melodramatically bad for the British exporter; sales to Brazil were almost extinguished by the dead weight of Brazilian debts, while Germany's victory in the Argentine market was even more startling.

It is hardly surprising to find British businessmen, angry at being repeatedly told that their German competitors have more vigour and initiative, rounding on their own Government. They complain that it withholds the backing that the Germans get from Bonn, and simultaneously—with rather more justification—they lay a good part of the blame for Britain's troubles on the Latins themselves. In this welter of mutual recrimination, sizable successes and promising beginnings are lost to sight; and younger and more venturesome businessmen are discouraged by the complaints of the old hands from even investigating the market.

It is high time to restore perspective to the British outlook on this market, which includes a considerable segment of the dollar area. And the first need is to sweep away the lingering memory of the Golden Age, when Britain built the railways, ports, and civic utilities of the young republics, financed and carried their trade, and invested heavily in their farms and mines. The Golden Age is long dead. Britain has no prescriptive right to a special position in Latin America today; and—what is often forgotten—it did not have it even before the second world war. Indeed, it is quite ludicrous to hear German competition discussed as a novel threat, while the Germans themselves have still to restore their Latin American trade to its prewar position in the pattern of their economy.

At the root of the factors that have reduced British trade with the twenty republics to its present proportions is a largely understandable economic nationalism—stimulated, but not created, by wars and depressions which revealed to Latin Americans the dangerous degree of their dependence on overseas markets and supplies. Today, while the region still exports crops and minerals, its real face has changed dramatically. Since 1951, the output of its factories has exceeded in value that of its farms. It is increasingly a food

importer. Its demand for imported fuel—primarily petroleum—is rocketing upwards; and its industries require more and more raw materials. A population that has increased by some fifty millions in twenty years calls for food and for urban employment in light industry; and while food, raw materials and industrial fuel now come high on the republics' import lists, textiles and similar consumer goods come very low. The economy of Britain is, in fact, no longer naturally complementary to the Latin American economy.

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The United States, on the other hand, can both supply the foods that several of the republics need, and offer an unrivalled market not only for their minerals and raw materials but also for coffee, which today represents a quarter of all Latin American exports. This natural partnership plays a greater part in maintaining the United States' dominance of the Latin American trade than the temporary advantages it gained over its European competitors during the war.

BRITISH, GERMAN AND US EXPORTS TO
LATIN AMERICA
(\$ Million)

	1933			1952			Jan.-Sept., 1953		
	UK	Gy*	US	UK	Gy†	US	UK	Gy†	US
Exports to :									
Argentina	95	44	87	60	79	147	24	69	75
Brazil	25	56	62	148	154	564	38	65	215
Other non-dollar	24	44	47	69	52	308	41	45	178
Dollar-account republics	32	62	295	147	124	2,320	114	105	1,655
Totals	176	206	491	424	409	3,337	217	235	2,121

* All Germany.

† Federal Republic.

All this is, for British traders, the gloomy side of the picture. But it is also fair to say that, if British exporters are really less vigorous and more defeatist than their rivals in Latin America, this is partly due to psychological, rather than material, factors. The spectacle of British commercial hegemony declining in the region not only prevents the British from enthusing about new initiatives, but has led many Latin Americans to expect too much from Britain—an attitude that has now, inevitably, been transformed into a habit of assuming that British firms will meet a demand less quickly than their rivals. Again, the practice of discussing Latin America as an indivisible whole is unfortunate. The British businessman who hears of hostility in Argentina, or of payment log-jams in Brazil, needs to be reminded that there are eighteen other republics, not all of them minuscule, and some of them with a good record for prompt settlement of accounts.

The fact that fourteen of these are dollar-account areas is an obvious pointer to their attractiveness as

a market; less widely appreciated is the fact that most of their doors stand wide open to trade on straightforward, if highly competitive, lines. (Peru although not a dollar market, may be grouped with these in view of its present government's strenuous and impressive effort to liberalise trade.) In 1952 these republics imported some \$3 billion worth of goods; and this included a big proportion of capital equipment. The report of the Crosland trade mission, which visited five of the dollar republics a year ago, indicated the great possibilities of this market. Already some reorientation of British trading efforts to the north may be detected. Too many concerns, however, still concentrate on the traditional, but now queasy, markets of the south.

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These latter may be considered under two heads. First there is the group of countries, in which Brazil is the most conspicuous, whose troubles are basically due to their own failure to export. By vainly holding out for unrealistic prices for some of their major exports—Brazilian cotton, Bolivian tin, Chilean copper—they have lost the means to pay for imports, and are now desperately trying to restore a balance, largely by slashing imports. One great difficulty here is Britain's limited ability to absorb these countries' products and thus increase their capacity to buy in sterling. With the second group, however, the problem is reversed. Argentina and Uruguay have lately been selling to Britain far more than they have bought from it; the complaint is that they have hoarded their sterling, or used it to make purchases elsewhere. A somewhat parallel situation is to be found in Cuba and the Dominican Republic. While insisting on payment in dollars for the sugar they sell to Britain, they prefer to buy from the United States goods that Britain is only too willing to supply.

The businessman who calls for governmental support is here on firmer ground. In the republics of which Britain is a good customer, he is entitled to ask that its obvious bargaining power should be used. In fact, it is used; and if the trader complains that he sees few results, he must in turn be asked to take into account three limiting factors. The first is obvious: one cannot brandish a big stick without inviting retaliation, as the history of meat negotiations with Argentina shows. Second, it is scarcely possible, nor would it be right, to insist that all sterling earned in Britain should be spent there; this country cannot expect to enjoy the advantages of its position in the sterling group and at the same time to prevent other countries from spending their sterling on, say, oil or raw materials from elsewhere in the sterling area. And third, it is wrong that Britain should help to enmesh the world in the kind of rigid bilateralism that restricts trade.

There is, then, no simple answer to the question whether British setbacks are the fault of successive governments or of the trading world itself. Circumstances alter cases, and in Latin America circumstances

vary a great deal. Moreover, to realise that the greater part of the loss of trade already sustained was caused by external factors is to take the first step away from defeatism.

A little despair, however, is useful if it will cause some sections of British industry to abandon the attempt to sell unsuitable goods to unwilling customers, and to concentrate on meeting genuine needs. Exports to Latin America must change their form and focus as the area itself changes. The shift is to capital goods, to the northern dollar markets, to modern designs acceptable to swiftly developing countries; above all, perhaps, to the combination of sales and technical service. Trade, in modern Latin America, follows the technician; that is the principle underlying the new attention to joint ventures in partnership with local capital, to the stationing of highly qualified engineers in the republics, and to the training of Latin Americans in Britain. On the successful application of these principles will depend the future fate of British trade with one of the most rapidly developing regions of the world.

The Prince Consort

Another important matter touched on in the debate in both Houses, and completely explained, was the conduct of Prince Albert. . . . With respect to his interference with foreign affairs, it was not for one moment concealed nor denied that his Royal Highness takes a great interest in them, as he necessarily must and ought in all that concerns the welfare and honour of the country, the dignity of the Crown, and the peace of Europe. Neither in constitutional law, nor in usage, nor in justice, is there a shadow of a reason why he should not interest himself, and deeply interest himself, in all these things. The objection, in fact, to his interference, is not to the mere fact, but that he had interfered in a sense unfavourable to the views of one party. . . . The objections to his conduct are founded, not on his having given advice or offered suggestions, but on giving wrong advice. These are met, however, by the simple statement that the Ministers are responsible for the conduct of affairs, and that if they are not allowed to conduct them as they think best, they must resign. . . . They have not resigned; they have always been, and seem more likely than ever to be, supported by the House of Commons; they are responsible to it and the nation; the only inference, therefore, is that Her Majesty follows their advice. . . . The surprise is not that Prince Albert should have interfered, but that the mere fact of his taking an interest in the most important public question that has been agitated in Europe for a quarter of a century should have required defence. Yet the accusation had taken such a strong hold of the public, that at least an explanation was indispensable. For weeks it has been the subject of conversation in club-houses and coffee-houses of all degrees; and from the lower ranks of the latter it has passed into street lyrics, and in the vilest ribaldry has been sung in every part of the metropolis. The fact is instructive. By no means now can the influence of the press be prevented—by no means can the influence of the multitude over the march of public affairs be extinguished. . . . it lends a bias to the whole national policy.

The Economist

February 4, 1854

Notes of the Week

Where the Four Came In

It is hard to understand what led the Prime Minister in the House of Commons on Tuesday to express optimism about the proceedings in Berlin. Ten days of talking have made it clear, if there was doubt before, that the conference should not have taken place until thorough and secret preparation had revealed possibilities of real negotiation. The summary of events given on page 403 shows how little the Foreign Ministers have progressed.

Everything that Mr Molotov has said is to be found in Malenkov's big speech of August 10th. His intention to harass and manoeuvre the Americans out of Europe was plainly revealed in his Notes last autumn. Likewise, the main principles asserted by the three Western Ministers were known beforehand. Only M. Bidault's impressive candour and resolution could be regarded as in any way unpredictable. Indeed, an attempt by Mr Molotov to squeeze him out of his solidarity with Mr Eden and Mr Dulles may be the next development—for the Soviet representative has shown bouncing form.

What is there to be said on the credit side? There are to be meetings in restricted—not necessarily secret—sessions, thanks to Mr Dulles's agreeing to discuss further the question of how and when to get the views of China on problems which concern it. There has been some give and take by the West in accepting the Soviet agenda, by the Russians in agreeing to put off consideration of their own proposals for a new disarmament conference and for an invitation to West and East Germans to join in the talks. There have been "quips and cranks and wanton wiles" over dinner and tea, and a Mad Hatter's moment last weekend, when the Russians were said to be interested in the idea that the European Defence Community would offer security to them against a rearmed Germany.

The Base in Germany

MUCH of this had nothing to do with the German problem, about which three things are fairly clear. First, Mr Molotov is deeply embarrassed by the Western insistence on free elections throughout Germany, which strikes at the main weakness in his position—the obvious fact that Eastern Germany would vote overwhelmingly against its Communist rulers. He has tried to confuse the issue with his latest proposal for a referendum, in which

Germany would be asked to make a quite bogus choice between a peace treaty that the Russians would like and an association with the West that they would dislike. Secondly, it is probable that the Kremlin's military advisers are even more embarrassed by the idea of giving up the great forward base in Eastern Germany than British soldiers are by the idea of leaving the Canal Zone. It has to be reckoned that generals may have a stronger voice than before in Soviet policy towards Germany.

Lastly, it is likely that Mr Molotov will urge that the running of elections should be left to the Germans themselves, and that representatives of Bonn and Pankow should be brought together without delay. The objections are obvious: Dr Adenauer would be asked to recognise (as he could not) the Ulbricht regime as the legitimate Eastern government, and endless delays would be caused by committee work which would be claimed by all opponents of the EDC treaty as a reason for delaying ratification.

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Two features of Mr Molotov's tactics are puzzling, as M. Bidault has acutely pointed out. The Russians are bitterly opposed to the Germans joining the EDC. By accepting Mr Eden's plan for forming an all-German government they could certainly delay, and probably cripple, the whole policy for Western Europe's integration. For Mr Eden and his colleagues have insisted that this government would be free to choose its own alliances—an assurance which the Russians refuse to accept. Again, Mr Molotov seems unable to grasp that one way of tempting the Americans to withdraw one day from Europe, or at any rate to reduce their strength there, is to let the Germans and their neighbours go ahead with their community plans. The advantages to Soviet policy of relaxing the West's suspicions by considering its plans for Germany are so obvious that Mr Molotov's inflexible attitude can be explained only by assuming that he is determined to stay in Eastern Germany.

Awakened Horse

OPPOSITION leaders are learning the price of political alliance with the trade union movement. They are being pressed by the recently reconstructed trade union group in the Parliamentary Labour Party to align themselves with current wage demands, and to attack the Government's economic policy on the grounds that it is responsible for what they are being asked to call justifiable unrest. Mr

Aitlee and Mr Morrison, together with some of their most experienced colleagues, are uneasily aware of the danger to the party of any suggestion that they are fomenting industrial unrest for political ends. But they have been forced to agree to demanding a debate later in the month, although it has not yet been decided whether they must attack the Government directly by a vote of censure, or obliquely in a debate on the adjournment.

The growing belligerence of trade union MPs is reflected in the list of new officers just elected as their spokesmen in the Parliamentary Party. To replace a collection of elderly nonentities they have chosen such men as Mr George Brown, one of the heartiest and most effective of the younger right wing leaders, and Mr Fred Lee, former Parliamentary Secretary to the Ministry of Labour and another "coming man." Significantly, two of the four new officers are engineers and one is a railway signalman. All of them are openly anti-Bevanite. So far as the domestic life of the Parliamentary Labour Party is concerned, this may indeed be the most important feature of the new leaven. Having roused the slumbering union forces in the constituencies and the party conferences, the Bevanites, coupled with the changing economic climate, now seem to have added to their own difficulties by stirring the union MPs to regain the dominance in the Parliamentary Party which numbers alone always partly gave to them.

So far as the industrial battle itself is concerned, it is by no means certain that militancy in parliamentary opposition will attract more support to the unions' side. That battle is still in a state of mainly suspended fire, while both sides await the all-important report of the court of inquiry into the engineering dispute, which is expected in a few days' time. The most important news from the one active sector of the front this week has been that the employers in the electrical contracting industry are still standing firm against the guerilla strikers. Reports that they were considering a peace-seeking offer—which were referred to in these columns last week with the warning that they might be false—have proved to be false indeed. The employers have issued such a shattering denial that it will be more difficult than ever for them to retreat, even if they should some day wish to do so.

The Rifle Backfires

SUSPICIONS that Labour regarded the Belgian rifle as an appropriate political weapon rather than an inappropriate military one were amply confirmed in Monday's short but brawling debate in the Commons. Mr Shinwell must have had some doubts about his accusation that the Prime Minister had "yielded to American pressure," but it cheered the faithful behind him. Nor will the country at large really believe that Sir Winston persuaded the War Office to reverse a decision against its own judgment; he may tend to talk about rifles in the idiom of G. A. Henty, but—in military, as distinct from economic, matters—he does not do things like that.

The argument for choosing the Belgian FN, as was argued in an article last week, is simply that, other things being equal, preference should be given to the rifle offering the

best prospects for Nato standardisation. Labour claimed that the weapons are not equal, but their implied disparagement of the FN collapsed when Mr Head brought another of their unsuspected skeletons clanking into the Commons. He revealed that while Labour was in office two tests provided a slight balance in favour of the FN and that at one stage (admittedly while the Americans were still toying with the .280 round) a member of the Army Council sent a signal to Washington, stating it to be War Office policy to standardise on the FN. Later, when the Americans reverted to the .300 round, a new situation was created; but the procedural wrangle which followed Mr Head's failure to arm himself with the signal when he disclosed its contents should not obscure the significance of this earlier decision.

It also should not obscure the oddest issue to arise from the debate. Although the tests in 1951 suggested that the Belgian rifle was slightly better, the experts advised the Labour Government to adopt the British EM2. The only explanation Mr Head could offer was that the then Director-General of Artillery did not agree with the results of the tests. This, coupled with Mr Strachey's disclaimer of all knowledge of the signal to Washington, throws a curious light on the relations, at least at that period, between ministers and their experts.

Japanese Dilemma

THE trade agreement with Japan, under which colonial peoples will be allowed to buy Japanese goods if they want to and even people in this country may be allowed to buy about 5d. worth of Japanese manufactures per head, has put some members of Parliament in an awkward dilemma. It is politically advantageous to rail against the agreement; the Opposition is therefore determined to rail, and Conservatives from the affected areas in Lancashire and the Potteries also feel bound to make deprecatory noises. But, as so often, it is impossible to translate these complaints into reasoned and convincing argument, because the basis for such argument simply does not exist.

The bare facts, as an article on page 407 points out, are that Japan is short of sterling, and that it would therefore have had to impose restrictions on imports from Britain if it could not sell more goods in sterling markets. Britain's alternative was either to accept a reduction in the market for its export industries, with no compensating advantages; or to risk an equivalent reduction in the sterling market for those of its industries that compete with Japan, with the compensating advantages of a slight decrease in the cost of living for restive Africans and Malaysians and of a thimbleful of bargains for the British housewife. Any responsible statesman would choose the latter, and both Mr Harold Wilson and Mr Ralph Assheton know it.

In Parliament, where Government spokesmen can answer back, as distinct from on platforms or in the press, where they cannot, the objectors are therefore searching for ways in which to earn favourable mention in their constituencies without offending too much against their own self-respect. On the right and in the centre the line chosen is that the Government should have undertaken fuller consultation with the interests affected before signing the agreement; it should, apparently, have poked at the

hornets' nest before sitting on it. On the left the objectors have chosen to flog the horse to which they always turn when in difficulties. The agreement, it seems, is all America's fault; Mr Dulles is forcing the Japanese to sell toys to British children as an alternative to selling them to the nurseries of Red China. It is for each MP who indulges in these elaborations to settle with his own conscience whether they are really fulfilling their purpose, which is to strike the politically advantageous note of protest without sounding both embarrassed and silly.

Post-Stalin Production

THE Soviet Central Statistical Office has now issued its report on the fulfilment of the current five-year plan in 1953, its third year. This was the year in which Stalin died and his successors announced sweeping changes for the benefit of the consumer. Just because it was a year of transition it is difficult to assess the extent of the shift. There is a clear departure from precedent in the very presentation of the report, with its greater emphasis on the development of light and food industries. But there is no evidence of any slowing down in the rate of growth of basic production, though coal and steel output fell slightly short of their annual targets.

SOVIET BASIC PRODUCTION
(Mn. tons)

	Coal	Petroleum	Electric Power*	Pig Iron	Crude Steel	Rolled Steel
1952...	300	47.5	117	25.2	34.4	26.8
1953...	318	53.0	132	27.5	37.8	29.5
1955 Plan	372	70.0	163	34.1	44.2	34.1

* 1,000 mill. kwh

Light industry, it is claimed, no longer lags behind the pace of heavy industry. Gross production in both was apparently 12 per cent higher than in 1952. Indeed, according to the report, output of consumer goods ran ahead in the second half of 1953, reaching a level 14 per cent higher than in the corresponding period of the previous year. Even so, the government must have run down its stocks to keep up the pledge to the consumers, since retail sales are alleged to have risen by no less than 21 per cent.

The picture of agricultural development is somewhat confusing. Malenkov's admission that the Soviet method of calculating the biological (as opposed to the barn) crop was resulting in exaggerated figures, rendered the planners' task difficult. They got away with the cryptic sentence that "the actual quantity of grain, despite bad weather conditions, equalled that of the previous year" (about 130 million tons in the inflated calculation). In accordance with the new plan to foster agricultural production, 100,000 agricultural specialists were sent into the countryside. Great progress is claimed in livestock breeding: the number of horned cattle rising by 15 per cent and that of pigs by as much as 70 per cent. Breeding outside the collective farms apparently accounts for a large part of this increase. One wonders how Khrushchev's policy of incentives could have produced such results in such a short time.

Prague Looks at the Future

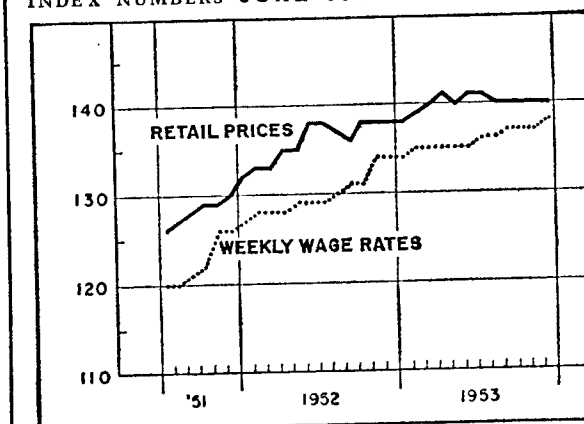
AN interesting glimpse at the shape of things to come in the offices of the east European planners has recently been provided by Mr Pucik, the chairman of the Czechoslovak State Planning Office. He said that his new economic plan, the successor to the first five-year plan which ended in 1953, will be divided into two parts. The first will cover the years 1954 and 1955, and the second the five-year period, 1956-60. The object of this division, he says, is to obtain the greatest possible advantage from co-operation with the Soviet Union and the people's democracies; all these countries were due to begin new long-term economic plans in 1956, and Czechoslovakia would also then be concluding a new series of long-term economic agreements within the Soviet bloc.

Mr Pucik was not strictly accurate; Hungary concludes its current plan this year and presumably, like Czechoslovakia, will have to mark time until 1956; Bulgaria, which embarked on a new five-year plan in 1953, no doubt makes too small a contribution to the bloc's economic potential to be seriously considered. In any case, 1956 must be the key year, since that is when the sixth Soviet plan is due to begin.

Thus, whatever the exact significance of the Soviet bloc's new course in economic policy, it is certainly not going to mean less co-ordinated planning. On the contrary, it may mean a good deal more. At present each satellite's industrial production has to fit in with that of the Soviet Union. There is, however, little evidence that inter-satellite co-ordination of planning—as distinct from a number of joint industrial projects—has gone very far. Indeed, so long as each country, in accordance with the Stalinist precept, was striving to develop all branches of its heavy industry simultaneously, the scope for inter-satellite planning was bound to be limited. But if, under the new dispensation, each is really going to be able to base its industry on a more realistic estimate of its capabilities—in other words, to cut its coat according to its cloth—then the scope for co-ordinated planning will clearly be much greater. This might be pointed out to Mr Molotov next time he denounces the integration of Western Europe.

UK WAGES AND PRICES

INDEX NUMBERS JUNE 1947=100



Liberals Face the Future

INCH by painful inch the Liberal party is moving to a more realistic understanding of its position in British politics. Its latest bout of self-analysis has been related to three ends—raising more money, concentrating its resources on the more hopeful constituencies and hammering out a policy more aligned to the issues of the day. Some progress has been made in each case, but the main lesson being forced on the party is that it must abandon any idea of a sudden Liberal revival and concentrate on a long, slow haul—with the immediate objective of trying to win one or two more seats. This will be hard enough, as witness another lost deposit at Ilford North.

The new Liberal electoral strategy calls for an annual income to central funds of £40,000, a trickle when compared with the sums available to the two main parties. In order to use these resources to best effect, all the constituencies in the country have been graded according to their prospects for a Liberal success. The list has not been published; but it is believed that preferential treatment might be given to about 100, and not necessarily the 109 rather arbitrarily selected for battle at the last election.

Within the House of Commons itself the Liberal party has been declining not only in numbers but in influence, largely because it has failed to keep up any sustained argument. With only a handful of MPs no party can cover all aspects of policy, and its one chance of making its small presence felt would be to concentrate on two or three lively topics of general interest on which it could claim distinctive views—say education, monopolies and worker-management relations. Some signs of a more contemporary approach to policy issues emerge from the agenda for the party's annual conference next April. There is a reasonable resolution on education; a comprehensive attempt to make the co-ownership dream a little more practical; and an official resolution from the Executive which effectively admits that at last year's conference the Liberals went slightly berserk on agriculture, when the Executive found itself committed to a dash for freedom. This heady policy is now to be subjected to the all-embracing rider that after thirteen years "the Government has an obligation to farmers to provide them with an outlet for their produce at remunerative prices until such time as adequate competitive marketing arrangements can be established."

Defencelessness Undefended

THE Home Secretary's reply last week to criticisms of civil defence administration was disappointingly evasive and vague. After regretting, with formal correctness, that the Select Committee on Estimates should have criticised his officials instead of the Government itself, Sir David Maxwell Fyfe said that the committee was under a misapprehension about the role of civil defence. He emphasised that in the preparations made to deter aggression civil defence plays a secondary role to military defence. Everyone understands this; account was taken of its secondary

nature in framing a programme that was to cost only a fraction of the cost of rearmament. What the committee complained of was not that the civil defence plan was secondary, but that it was not being carried out. Sir David seemed to imply that this was by design, but then recounted the Government's excuses for failure to get on with the job. Briefly, these were that the services are new, that defence production programmes are always slow to develop, that international and financial conditions were changing—and simply that correct estimating was difficult. He also drew a remarkable distinction when he said that the programme for fire appliances was not cut, but spread over a longer period.

This is far too serious a matter to be brushed aside with polite tributes to loyal officials and hard-working volunteers. The stark facts are that there is still no civil defence worthy of the name, that it cannot be produced out of a hat when it is needed, and that its absence might powerfully encourage the potential aggressor.

Uneconomic Nationalism

WHATEVER nationalists north of the border may have liked to think, the English welfare state is not being paid for out of Scottish taxes. That, at any rate, is the conclusion that is meant to emerge from the Treasury's vast—and unnecessary—labour in producing Cmd. 9051, which sets out details of revenue and expenditure in 1952-53 for England and Wales on the one hand and Scotland on the other. It estimates that Scotland contributed 9.69 per cent of United Kingdom revenue (excluding Northern Ireland), but benefited from 12.34 per cent of the expenditure that can be specifically allocated. These figures must be treated with caution. Over 60 per cent of expenditure (on such things as defence and administration) cannot be satisfactorily allocated; and the Treasury had to do some complicated juggling to arrive at its estimates for revenue. Allowance had to be made, for example, for the many firms with head offices in England which are taxed south of the border on profits made in Scotland. Obviously, the unfortunate statisticians did their juggling with scrupulous fairness and painstaking effort; but they, of all people, must have known that the effort was not worth while.

This makes it all the more surprising that in this week's rather drab debate in the House of Commons on Welsh affairs—in which all representatives of Welsh constituencies were eager to show what good Welshmen they are—it was suggested that the Welsh contribution to the national pool should be subjected to the same form of analysis. The results would probably be even more vague and less complimentary than those for Scotland. In any event this is the wrong yardstick to apply. The principle of derivation should have no more place in decisions about expenditure beyond the borders of Wales and Scotland than it does on the English side of them. The real case for the Scottish and Welsh nationalists is not based on economic considerations; those are merely silly abstractions introduced by the silliest people on either side. The case is based instead on principles of administrative convenience and innate *amour propre*; and about these—and their relevance to

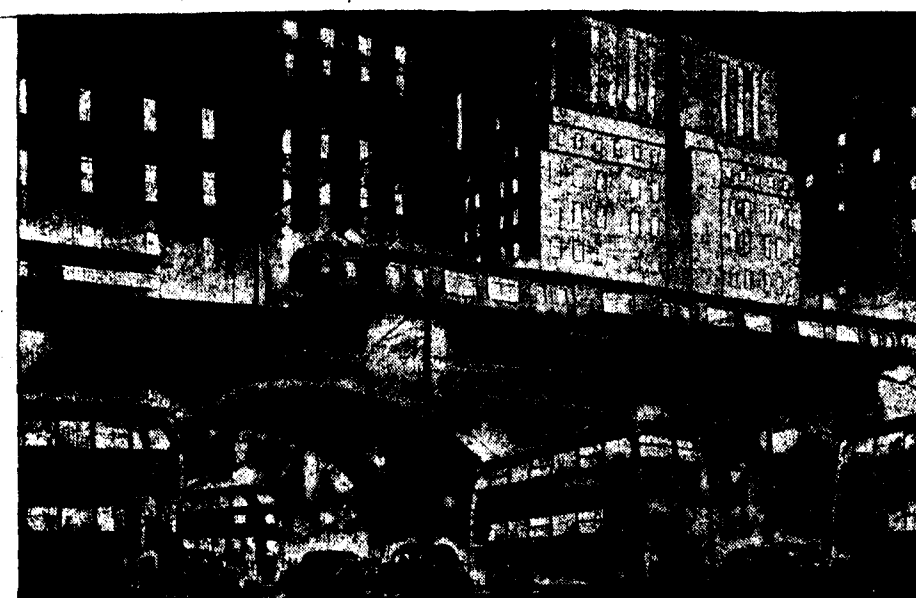
'ENGLISH ELECTRIC'

To mining, as to so many industries, electricity brings power for productivity, power for cutting and carrying, and to convey miners to and from the surface. For nearly 50 years ENGLISH ELECTRIC has produced mining electrical equipment—hoist drives, hauling 24,000 miners a day in Britain alone; coal cutter motors; underground locomotives; and much else to increase mining's contribution to the prosperity of many nations.



bringing you

From coal, that ENGLISH ELECTRIC helps to produce, comes much of the world's mounting electrical power. ENGLISH ELECTRIC plays an ever increasing part in generating and distributing electricity and helps the world to put it to good use, not only for better work but also for better living—through ENGLISH ELECTRIC transport, for example, and ENGLISH ELECTRIC domestic appliances and television.



better



living



WOULD YOU EXPECT EXTRA OUTPUT FROM THIS FACTORY?

We do not expect high production or low costs from a ramshackle factory equipped with antiquated machinery turned by animal power or by hand, lacking electricity and piped water, and with no housing available for half its workers.

Yet that is precisely the condition of fully half our farms. Two-thirds of our farms are without electricity. About half our regular farm-workers are without cottages, fewer than half our farm-houses and cottages are supplied with piped water. The standard of farm roads and access to fields is much lower than it should be.

It is not surprising that food production is lower than we want, that costs are high, that many farmers and farm-workers find life a hard struggle for bare existence and that there is a dangerous drift from the land. Yet what is done to help? Farmers farming good land are crippled by super-tax. Those needing capital for expansion are subjected to loans at interest as high as 5%! Is this really the sensible way to get that vital extra food?

The taxation system must be altered. Long-term loans at low interest must be offered. The land is our finest investment. Let us not forget it!

GROW MORE FOOD IN BRITAIN

This announcement is issued in the interests of British agriculture by Massey-Harris-Ferguson

Ferguson tractors are manufactured for Massey-Harris-Ferguson, Coventry, by The Standard Motor Company

claims for an Ulster type of constitution, which would leave the essential economic unity of the kingdom intact—there is much more room for debate.

To the Power of Five

WHATEVER happens at Berlin, the international status of the Peking government must eventually be decided; and before the final moment of decision arrives, much more thought must be given to a question the full implications of which have been missed. Is Asia's sole representative in the inner council of five great powers to be a Communist government?

First, of course, it must be asked whether there should be an inner council at all. Current Communist doctrine on this matter strongly resembles the theory of the Holy Alliance as expounded by Metternich. The idea that an anointed band of five powers should take decisions affecting all the eighty-odd nations in the world is advanced by Mr Molotov and others on the strength of the special position allotted to these five in the UN Charter. In fact, however, the Charter made no such bow to legitimism. Admittedly, its Article 106 required America, Britain, China, France and Russia to consult together—and with other appropriate governments—if joint action to maintain peace proved necessary before the Security Council was ready to authorise such action. But the Council felt itself ready in June, 1950; and it can scarcely be argued in 1954 that Article 106, which bears the label "Transitional," remains valid. Nowhere else in the Charter is any authority, as distinct from privilege, granted to the five-power group as such.

If, however, an inner group is to be constituted, on realistic rather than legalistic grounds, it must surely be related to 1954, not 1945. Which are the great powers today—and which will be tomorrow? In 1945 India was a dependency, and Japan, Italy and Germany lay prostrate; but today each of these carries as much real weight as did China or France in 1945. How long can such countries be kept out of the inner council, if there is to be one?

A Reminder from Syria

SYRIA'S military dictatorship has been challenged. President Shishakly not only preaches but practises there a policy that is the pipe-dream of all Arabs: armed neutrality and no commitment to any western power. He has done without foreign aid, largely thanks to luck with harvests, to his success in maintaining security and in creating good conditions for industrialists. But in Syria politics run in the blood, and to maintain a balanced economy is no defence against incorrigible political adversaries. Last week, therefore, President Shishakly took a leaf out of President Neguib's book and smacked down the political leaders who had been tunneling against him.

The chief centres of disturbance seem to have been Homs—home town of the last civilian president, Hashim Atassi—and the feudal and recalcitrant Druse mountains of the

south-east. The outburst is a sad business, because Shishakly had done steadier work on the social and economic front than most of his civilian predecessors, and because, unlike Neguib, he had kept his word about holding parliamentary elections. He had even allowed banished politicians to return and run campaigns. In the elections last October his Arab Liberation Movement won 72 out of 82 seats; but a sinister mark of its unpopularity was the fact that in the big towns under 20 per cent of the electorate voted. Accused by the abstainers of many undemocratic practices, he may not be popular enough to be able to afford the risks he took in giving them elbow-room.

His drastic action has had a mixed reception in the Arab League states, divided as they are into dictatorships and parliamentary regimes. Iraq and Lebanon are highly critical; Jordan is silently hoping he will not expose weaknesses that will strengthen Israel. President Neguib and King Saud, by contrast, have sent him encouraging telegrams. Neguib's support springs from fellow-feeling and the hard fact that a success or failure in one dictatorship can set an infectious example in another. Shishakly, therefore, poses the West—indirectly—with the question whether a dictatorship by no means ideal is preferable to any alternative that can be discerned. To think about it is to illuminate the bigger question, now crucial for Britain in Egypt, whether to uphold such regimes by showing confidence in them, or by opposing them to weaken them.

Back to the Slaughterhouse

WHEN the Government ceases to trade in meat this summer, the wartime concentration of slaughterhouses will also be discontinued. At present only 482 slaughterhouses are in operation in England and Wales, although before the war there were no less than 11,500. The facilities now in use are not flexible or localised enough to meet the needs of private traders, who cannot (as the Ministry can) move livestock about at will. More slaughterhouses will therefore be needed, but to avoid the wasteful methods of prewar days the Government aims to promote a policy of "moderate concentration."

The committee that is examining the problem* has now recommended that the control of slaughterhouses should be returned to the local authorities. From the viewpoint of public health, this may seem the simplest solution; but it is a transparent economic mistake. Under the Food and Drugs Act, 1938, which will now become effective for the first time, the local authorities may close, without compensation, any slaughterhouse where conditions are insanitary or where avoidable cruelty takes place. To meet the economic problem, the committee suggests that local authorities should be encouraged during an "interim period" to buy out redundant slaughterhouses and provide new public facilities where needed.

These suggestions really amount to a restoration of the prewar system. One of its main defects was that offals and other by-products were generally wasted or inefficiently utilised. In rural areas, the individual butcher who both selects and slaughters his beasts may operate very cheaply.

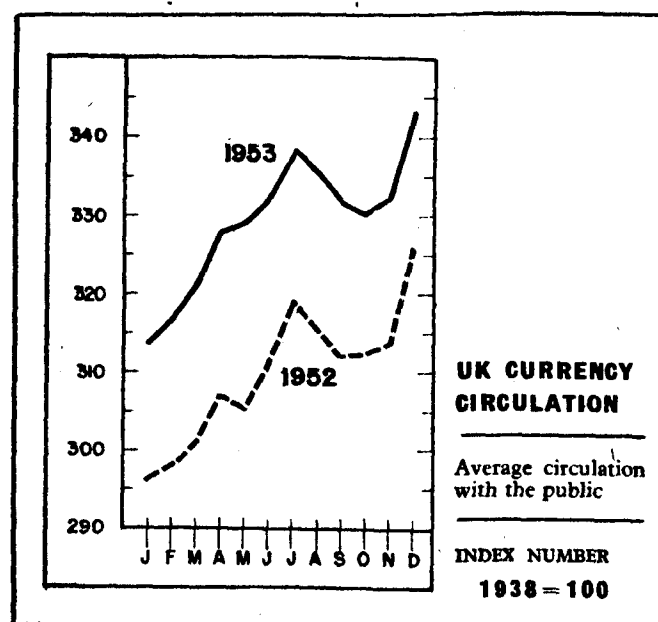
* Interdepartmental Committee on Slaughterhouses. Interim report. Cmd. 9060. 6d.

if not very hygienically; but in big consuming centres modern abattoirs with a large throughput provide the most economic method of slaughtering. In an efficient abattoir, the profits earned from the many hundreds of by-products more than cover the cost of transporting and slaughtering the livestock. But it should be obvious that effective schemes for the concentration of slaughtering can only be worked out on a regional or national basis; the task cannot possibly be tackled by over 1,000 local authorities scattered across the country. Nor will many authorities be willing to pay (as the committee suggests) 50 per cent of the cost of compensating the owners of redundant slaughterhouses. If the Government is in earnest about reducing the costs of livestock marketing, then it must act quickly to produce a better scheme than this.

Tornado at the Tate

THE emotional storm now raging through the Tate Gallery shows artistic excitability at its not unusual extreme. The board of trustees of the Tate were already aware, even before the indefatigable Mr Douglas Cooper pointed it out in a letter to *The Times*, that some of their purchases had contravened the terms of their trusts, and corrective steps had already been taken. The trustees had bought a Henry Moore sculpture with funds that were earmarked for British paintings; and a picture by an artist who had been dead for 26½ years with funds that should have been devoted to the works of artists who had died not more than 25 years ago. But no one can complain that these careless errors have been in any way disastrous. The trustees, by publishing a long statement of self-accusation in the best communist manner, have given some people the false impression that some grave maladministration has been unearthed.

This impression has now been strengthened by a letter written to the *Evening Standard* by Mr Graham Sutherland, announcing that he has resigned from the board of trustees. His reasons, which the chairman of the board says were given more fully to that newspaper than they



had been to himself, were not only that there had been breaches of trust, but also that the buying policy of the Gallery had resulted in great waste of public money. In particular it had recently bought works that it could have bought at a much lower price some years ago; and it may have paid an unnecessarily large sum for a Degas statue of a dancing girl, of which there are several other casts. But for these decisions the board, including Mr Sutherland, were collectively responsible, and there seems no reason why he should thus publicly arraign his colleagues.

The affair would surely never have reached such a pitch if personal animosities were not involved. The Director of the Tate Gallery appears to have enemies in the world of art, a world in which an amenable man is always apt to be called a weakling and a firm man a pig-headed mule. But this unfortunate animosity provides no proof of maladministration, and it is worth noting that for one reason or another the Tate Gallery has never been so popular with the public as it is today.

Pools and Politics

NEARLY three years have passed since the Royal Commission's report on gambling was published. But both the Labour and Conservative governments have felt that where manners and morals are said to clash politicians should keep well away from the fracas; and the report's recommendations have been discreetly forgotten. Some of these, which concern betting on football pools, were dusted up and given a brief airing last week, when a Private Member's bill embodying them was brought up for second reading in the House of Commons. Unfortunately the measure was talked out, by a Labour member who said—probably quite rightly—that it was badly drafted; he did not meet the point that a bad bill can be amended in committee.

Under present regulations, the private companies that control the football pools are not obliged to publish any details of their transactions, and few of the eight million or so people who "invest" £65 million a year between them have any idea how their money is divided up. In fact, it seems, about 50 per cent of what the public pays out comes back in winnings. Most promoters restrict themselves to a maximum of 5 per cent clear profit and devote about 15 per cent of the takings to meet expenses; the Government takes an automatic tax cut of 30 per cent, over and above such other gleanings as postage and purchase tax on coupons.

Last week's bill would have compelled promoters to publish both the results of individual competitions and their annual accounts—and to return a predetermined proportion of the stakes in prizes to the competitors. Perhaps the publication of weekly accounts of the results of individual competitions would increase expenses exorbitantly; but the other requirements seem to have been unobjectionable devices to throw more light into an unnecessarily dark cupboard, even though the punter would have been left in his present happy unconsciousness of the heavy odds against his winning on any given occasion. It is a pity that potential Government spokesmen sat looking out on this debate in tactful and frightened silence.

A Beach for a Rock?

THE sleeping watchdog at the Straits of Gibraltar might well have been let lie. Now that it is awake, its barks are echoing far and wide. General Franco's claim that Spain never accepted Britain's possession of the Rock has met the scholarly retort that, on the contrary, it solemnly acknowledged British rights not only in 1713 and 1729 but also by the Treaty of Versailles in 1783. Moreover, in the latter treaty there was no question of the Spaniards bowing to superior force. They renounced their claims to Gibraltar in the course of a straightforward bargain, and Britain paid a high price; it handed Spain both Minorca and Florida. It would seem to follow that, if this exchange was invalid, Spain had no right to sell Florida to the United States in 1819. Is Florida, then, still British? If so, General Franco is going to incur a good deal of trouble and expense. He must either buy Florida back in order to present it to the British Crown, or—if, as is probable, the exchequer in Madrid could not finance the purchase of Miami Beach alone, at current prices—Spain must at least disgorge the proceeds of its sale of stolen property. The International Court might also accept a British claim to compensation for having been defrauded of a century of Florida sunshine; and that, as a hundred Florida mayors can assure General Franco, has a price beyond rubies.

Controlling Private Schools

THE recent conviction of the headmaster of a private school for offences against children has attracted a good deal of publicity to the fact that the Ministry of Education's jurisdiction does not extend over these schools, and that highly undesirable people may be teaching in some of them. As a result some Labour MPs pressed the Minister of Education last week to introduce Part III of the 1944 Education Act. Under this part of the Act the Ministry would be empowered, among other things, to take action against a school if it considered that the proprietor or a member of his staff was not a proper person to be in charge of children. After due notice, and subject to appeal, the offending person would have to leave or the school be closed.

But Part III—which aims to raise the standard of education in private schools as a whole—carries with it far more than an examination of the morals of schoolmasters. It is designed to provide the Minister with an elaborate machine for inspecting and registering private schools, and an even more elaborate system for dealing with objections and appeals. It covers not only the quality and qualifications of staff, but questions of accommodation, equipment and so on. To introduce Part III now, when the maintained primary schools are overflowing, classes are enormous, and standards of accommodation are often deplorable, would make it impossible to impose very high standards from the outset of the new order.

It would be a mistake to send this bulldozer off to a premature start in order to shift a tiny, though nasty, heap of muck. But it might strengthen the hand of the Minister now, without damaging the effectiveness of Part III in the

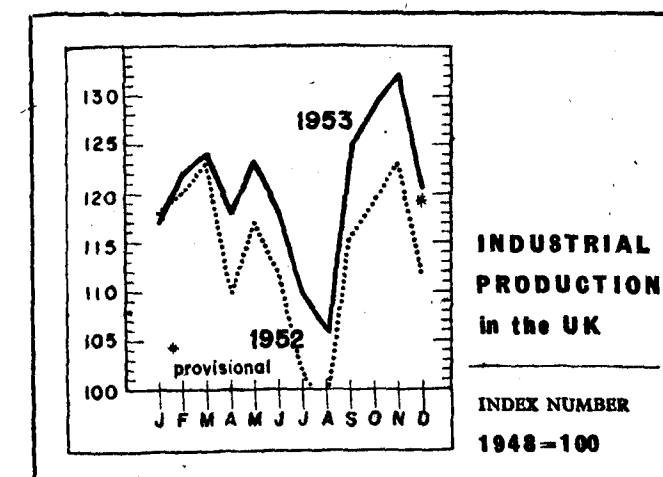
future, if it could be announced that the machinery will be set in motion in, say, 1957. If some such early date was set, the minority of very bad private schools might hasten to put their affairs in order before sanctions could apply.

Malanomania

ANOTHER acrimonious session of the South African parliament began last Friday. The government's programme, announced in the speech from the throne, ensures that the political temperature will be kept at boiling point, since it contains several new *apartheid* measures. Among other things Dr Malan's government proposes to force through a Bill giving effect to the compulsory transfer of Africans from their present humble residences in and around Johannesburg, to new locations on the far outskirts. Another Bill, not as yet disclosed in detail, proposes to separate the races in trade unions, and to amend the existing conciliation and arbitration laws.

Meanwhile the skeleton from the last parliament, the Coloured Voters Bill, is still not buried. The Select Committee appointed by parliament to examine the question will shortly be tendering its report; but, inevitably, a renewed fight is bound to take place, since the parties are past compromise. Dr Malan's chances of putting through the measure by constitutional processes seem brighter, for during the recess the United Party shed itself of seven of its members, who, for one reason or another, refused to accept the party whip. However, even on the doubtful assumption that all seven go into the government lobby, Dr Malan is still a few short of the numbers required to give him the necessary two-thirds majority of both Houses. Thus he must still go on with the slow, but fruitful, policy of disrupting the ranks of the opposition, even though this means deliberately prolonging the parliamentary crisis.

On his return from the Sydney Conference Mr Havenga, the Minister of Finance, had to face a crisis blown up overnight by a rumour—baseless, as it turned out—that the South African pound was to be devalued. It is estimated that something like £10 million was temporarily lost to the country as a result. This incident should prove to the Nationalists how sensitive foreign opinion is to events in South Africa.



Letters to the Editor

One and a Half Worlds

SIR—Surely some qualification is needed of the statement in your current issue that "it is a lesson of simple arithmetic" that the sterling area cannot make a "speedy advance" to non-discrimination and convertibility. Admittedly, it would require some readjustment of our internal credit policy; as you say in another context "there is room for argument whether recent policy has been firm enough." But the resulting figures are surely not to be regarded as immutable. The arithmetic of any balance of payments is simply the product of monetary and credit policy and again and again it has been shown what large and rapid changes in the figures can result from a comparatively small adjustment of policy. It is not easy to estimate the extent of the adjustment required to allow us a "speedy advance to convertibility" but to some observers, at any rate, it would seem that no great effort would be required. Surely we can do what Belgium, Germany and the Netherlands have achieved. If we can't, the reason must be found in our domestic political situation and, in that case, we ought to place the responsibility where it belongs and not complain that American politicians are unwilling to reverse their traditional Protectionism in order to make it possible for us to attain convertibility without any effort.

What is the alternative to making such an effort? It looks as if it would be the acceptance of more inflation (on the 7s. standard as a start), a weakening of the exchange, the adoption of wider points, if not of a "floating rate," and eventually another devaluation of the pound, which Mr Gaitskill openly proposes as his remedy in the event of an American recession. With this would come a steady rise in cost of living and more industrial unrest until we get into the grip of the vicious spiral which will slowly but surely strangle our economy.

Do people really want a constantly depreciating currency, with its threat to their standard of life? If not, would they not be prepared to accept the effort needed to attain stability? I wish that you would give your opinion as to the extent of the effort required to change "the arithmetic" instead of regarding it as conclusive.—Yours faithfully,

FREDERICK LEITH-ROSS

London, E.C.4

Grains and Nonsense

SIR—I have read your articles and comments on agriculture over a lengthy period and whilst I have found them consistently hostile they have at least been consistent in demanding over and over

again that the price of support by the taxpayer shall be the utmost efficiency on the part of the British farmer and the fullest use of his land. In your last issue, however, you change your ground and for the first time within my memory, you advocate the limitation of production by price differential. This is such a vital matter that I feel compelled to join issue with you on it.

The limitation of production would, in fact, remove from the average farmer his chief means of lowering production costs since, in farming, at any rate, the scope for intensifying production is usually much greater than the scope for reducing prime costs. By restricting production, you would, therefore, not only be helping to prevent farmers from becoming more efficient and making full use of their land but would also be denying them the opportunity to preserve farm incomes by increasing production in an attempt to offset lower prices.

This is not to say that I am in favour of British farmers being perpetually insured against long-term downward price trends. Given time to make the adjustments, I am sure that British farmers can compete on equal terms with the rest of the world. It is against fortuitous, short-term downward price trends that our farmers need to be insulated, and having regard to the importance of a stable and productive agriculture in our present-day economy, I do not think that that is an unreasonable requirement. Great wisdom was, in fact, shown, when the Agriculture Act was made to provide for the fixing of prices several years ahead. If the long-term price-mechanism is allowed to work freely as will have to be the case, then a long period of falling prices will, in itself, restrict production by eventually driving the inefficient farmers out of business. It is one thing, however, to let a process develop naturally but quite another to bring it about artificially.

It is true to say, I think, that the majority of informed people believe that the present fall in agricultural prices is unlikely to be permanent. It is, therefore, somewhat surprising that you should feel that the farmers' triple guarantee of price, quantity and long-term market (if the latter is anything of the sort) should make such nonsense. In any case, I cannot recall that when, for a long period, British farmers were being forced to sell their products well below world prices, you voiced a single protest.—Yours faithfully,

DOUGLAS SELIGMAN

Crawley, Hampshire

[Mr Seligman has mistaken our point. We did not advocate (and do not want) any artificial restrictions on production; but if

the price guarantees to farmers continue to be as absolute and costly as at present, then the Government may eventually be forced into restrictionist policies as the only way to keep the subsidy bill within limits.—EDITOR.]

The Troubles of Buganda

SIR—Admiration of the British way of colonial life should not blind one to the results of the "legalistic" or "parliamentarian" approach to colonial administration.

Uganda, Kenya, Northern Rhodesia and Nyasaland have all in recent years experienced trouble or unrest and the Sudan Government a vote of non-confidence. In all these the main questions at issue were colonial parliaments, the nomination or election of legislative or executive councils, federal assemblies or inter-colonial boards. Agricultural, economic or industrial progress were merely secondary issues.

In the Congo just across the frontier, a few hundred miles from the East African dependencies, those same years were years of perfect calm which brought new roads, new housing projects and a higher standard of living to the Africans—with no news about parliaments or councils, legislative or otherwise.

The only non-European countries where parliamentarism works, are, if I am not mistaken, Ceylon, India and the Philippines. Even in Europe and the Americas there are several countries where it does not work. The Bantu have not the slightest natural inclination to, or interest in, democracy. Colonial administration is a practical problem, unrelated, I am afraid, to the theory of politics.—Yours faithfully,

N. A. DE KUN

Belgian Congo

[Belgian policy in the Congo is discussed by a correspondent on page 40.—EDITOR.]

Eggs and the Taxpayer

SIR—I read your note in *The Economist* of January 9th with interest and curiosity. Where do you get your feeding stuffs which have "become so cheap"? You are clearly on to a good thing. The winter laying pellets which I bought for £39 5s. 11d. a ton a year ago, cost £40 14s. 4d. in October, 1953; £39 19s. 4d. in November. The tail corn that completes the hens' ration didn't cost any less to grow this year than last. The only things that have got cheaper are eggs for which the producer received about a shilling a dozen less this winter than a year ago. All this, you say, "has put still more profit into producers' pockets." Be a sport. Tell us how.—Yours faithfully,

FELICITY PALMER

Newbury, Berks

[The price of feedgrains has fallen sharply, and the price of compound poultry feed slightly, since feeding stuffs were de-controlled. The domestic poultry keeper may be paying more because he now buys the superior feed formerly reserved for commercial producers instead of the rationed balancer feed which is no longer produced.—EDITOR.]

Books & Publications

Rich Young Country

IRAQ 1900-1950. A Political, Social and Economic history.

By Stephen Longrigg.
Oxford University Press for the Royal Institute of International Affairs. 446 pages. 75s.

THERE are two ways of writing contemporary history. One—the Chatham House way—is to sit upon a cloud and dispassionately survey the puny world of men. The other is to infuse the story with a warm flow of personal observation. The one lament that must be uttered for this majestic book is how sad that one of the few living writers who could have chosen the second method has preferred the first. Off and on, Brigadier Longrigg has worked in Iraq for thirty-five of the fifty years that he describes; he must have seen tempers rise, laughter bubble and tears flow. Yet apart from a *risqué* adjective or so—"restless" for this statesman, "forceful and domineering" for that—he writes as if he prefers libraries to men. The three occasions on which he pauses in his careful cata-

logue to sit back and, in his near-Gibbonese, to describe the general scene in 1920, 1932 and 1950, give extra grounds for regret that he unbends so seldom. The Chatham House method is better suited to the general sweep of world affairs than to the story of one small country with, as yet, no chroniclers or biographers of its own. Once Gertrude Bell is dead the colours fade and—for the middle years between the wars—will remain dim unless someone now in his sixties has kept a diary.

Otherwise, there can be nothing but admiration for a book that will, for all time, serve as an indispensable mine of information for Iraqi and foreign historians. It is at its best on the subjects that lend themselves to chronological treatment. It gives, for instance, a full and understanding picture of the vicissitudes of poverty and—in its last pages—of the sudden transition to wealth, and the adequate arrangements for using it. It gives a candid one of the difficulties of evolving a good administration or—for that matter—a true democracy out

of a largely uneducated nation; the role that the pasha played and still plays in relation to an impatient bourgeoisie is well described.

So is the slow growth of central government authority over jealous rivals such as the Shi'i divines, mostly Iranian, who had for centuries been accustomed to direct the opinion of their flock upon every topic, and over Kurdish chieftains who were always able to take refuge with cousins on the far side of some frontier. An interesting tale that can be picked out from the record is that of the slow rise of the Shi'i community to posts that were once the prerogative of Sunni first families. Iraq comes creditably out of the story: it has survived some horrid moments; it is digesting some awkward minorities; and, even before the boon of wealth from oil came its way, it could give points to certain neighbours in the fields of management of its national finances, of provincial administration, and of knowing when to listen to advice.

Where the method of meticulous chronology falls off is in helping people who do not know Iraq to single out the main points of interest in its story. It is left to a reviewer to underline them, both small and great—to exclaim, for instance, at the virtues of the Portsmouth Treaty, which was so lightly discarded in 1948 but was so full of the arrangements Egyptians are asking for now; or at how early the British theory of devolution was practised in Iraq. This happened fifteen years before the much more famous gesture in India and

THE FUTURE OF STERLING

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The international position of sterling, both within the Sterling Area and outside, is a matter of the greatest importance for the future of the British economy. This book considers the origins of the present position of sterling as an international currency and on this basis suggests possible lines for future development.

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Pakistan. Is a new country the worse for this early weaning? Not if Iraq is anything to go by; but the book does not venture to guess whether salvation is mainly due to lessons retained from the unloved British era, or to strokes of fortune, or to that tough streak of commonsense in Iraqis that often stops them from being the bondslaves of their very genuine nationalist emotions.

The Old South

THE COTTON KINGDOM.

By Frederick Law Olmsted. Edited by Arthur M. Schlesinger. Routledge and Kegan Paul. 705 pages. 42s.

EVERYONE who has found Central Park a welcome clearing in the asphalt jungle of New York is, whether he knows it or not, a debtor to Frederick Law Olmsted. But the Olmsted that Messrs Routledge and Kegan Paul have reintroduced us to in this handsome and, one might almost say, park-like format is a younger man than the great landscape-gardener. Before he was appointed architect in chief of Central Park in 1858 Olmsted had completed three extensive journeys through the South and the South-West and had embodied his findings in articles and books which, between them, constitute the most vivid picture available of life and labour in the slave states. He is the Arthur Young of the ante-bellum South and in this capacity has put the historian as much in his debt as the New Yorker. As Allan Nevins puts it,

few books of economic and social observation ever written in any land possess the enduring interest of Olmsted's "A Journey in the Seaboard Slave States," "A Journey Through Texas" and "A Journey in the Back Country."

These volumes, based on material collected (and originally published in the *New York Times*) between 1852 and 1854, had all appeared in both Britain and America before the election of Lincoln and the outbreak of the Civil War. They were the work of a dispassionate observer who, though a Northerner with a frank aversion to slavery, made it his business to report the Southern scene as he saw it, honestly and with no axe to grind. But the war left him with no doubt that his cause was the North's and "The Cotton Kingdom" is in fact Olmsted's reply to Fort Sumter. It was designed primarily for the English market as a rebuttal of Southern claims that "cotton was king" and that slavery was the wave of the future, and it provided much of the ammunition that was fired, with even louder explosions, by J. E. Cairnes in "The Slave Power," a year later.

Nevertheless "The Cotton Kingdom" is not special pleading. It is, in fact, a skilful compression and consolidation of the three original travel books, with only a very small admixture of new and propagandist material. Read now, it impresses one by the restraint and objectivity with which it describes the fantastically anachronistic society of the Old South,

part late Roman Empire, part Wild West. Sociologists may praise the book as one of the pioneer classics of their science; readers to whom such a claim is but a dubious recommendation may prefer to regard it as a superb job of journalistic reporting, infused with an agricultural economist's understanding of soil and labour problems and a civilised sensitivity to all the nuances of breeding and degradation that characterised this remarkable society.

With an ear as keen as George Borrow's for the dialogue of wayside encounters, an eye trained by his profession to appraise landscape, man-made as well as natural, and a judgment based on experience gained in Europe as well as in the North, Olmsted had an equipment for his self-imposed task that no American investigator of his period possessed. Reissued in this spacious edition, with a helpful introduction from the pen of Professor Arthur Schlesinger (Senior), his findings will be welcomed by all students of the Old South and of many inquiring laymen besides.

The Role of Thrift

SAVINGS IN THE MODERN ECONOMY: A Symposium. Edited by Walter W. Heller, Francis M. Boddy, and Carl L. Nelson. Minnesota University Press (London: Geoffrey Cumberlege). 370 pages. 40s.

THIS volume is the result of a conference on Savings, Inflation and Economic Progress held at the University of Minnesota in May, 1952. The participants whose contributions are here reproduced included academic economists, statisticians, banking and insurance executives, and other business men, and experts from the International Monetary Fund and the International Bank for Reconstruction and Development. They also included two eminent parliamentarians with first-hand experience, current or recent, of a Chancellor's responsibilities—Mr Douglas Abbott and Mr Hugh Gaitskell. This wide range of expertise ensured that the papers produced should be professional but not esoteric, and, perhaps more important, that there should be an open confrontation of the two aspects of savings which it is of such huge practical importance to reconcile; the positive aspect, the classical thrift which is the limiting factor to all economic progress, and the negative aspect, the mere not-spending which menaces full employment. (Comparatively little was explicitly said about the ex-post, purely passive concept of saving as a magnitude settled, entirely without volition by the savers, by the interaction of investment and the supply of money. Indeed, this particular piece of economic determinism looks, in the light of the section on Savings Behaviour, too crude for serious consideration.)

The papers have been arranged under three main heads: Savings and Economic Policy; Savings Concepts, Data and Behaviour; The Savings

Problem in Under-developed Economies. A survey and summing-up of the symposium by Professor Harlan M. Smith prefaces the whole, and a comprehensive discussion of Savings and the Problem of Inflation in the United States, by Mr George Garvy, rounds it off. Necessarily there is a good deal of duplication, though, as often happens, the comparatively slight divergences between writers approaching the same topic from different angles are sometimes particularly instructive.

Necessarily too, in the proceedings of a short conference, there are topics left in the air and debates unresolved. A valuable hare is started in the Concepts and Data section—how far does the nature and purpose of saving determine the degree of its anti-inflationary effect; how far is it practicable to keep track of that nature and purpose?—and is not pursued by the contributors on Policy. Mr Hugh Gaitskell and Professor David McCord Wright ought to collide head on with an illuminating effusion of sparks, but do not; and one could mention plenty of other instances. Nevertheless this is a stimulating, solid and valuable collection, and the conference of which it is the record could usefully provide an example for British academics, administrators and business men.

Implacable Moloch

SOVIET EMPIRE. *The Turks of Central Asia and Stalinism.* By Sir Olaf Caroe. Macmillan. 300 pages. 25s.

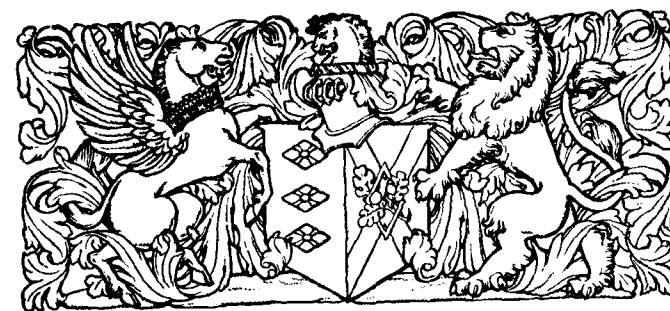
THIS book presents with understanding and enthusiasm, and with excellent maps, the story of the Turanian peoples of Soviet Central Asia. It has to some extent been inspired by Professor Velidi Togan's "Turkistan To-day," first published in Turkish in 1929 and revised in 1940. The first part gives a historical and cultural background of this "crucible of empires" and the concluding chapters discuss the "heritage of chagatai" and the extent to which Turkic national traditions can call a halt to communism. These chapters are the best in the book and it is when writing of Babur—"warrior in single combat . . . man of letters . . . born a prince and in the end a founder of an empire"—or describing the interplay of Turks and Mongols as resembling "the raindrops on a moving windowpane . . . streaming together across the glass only when a storm of rain blows up and carries all before it," that Sir Olaf opens doors through which one must enter and look more closely at the peoples he portrays.

The central section of the book discusses the Czarist period, the dynamic but brief transition years (with a new assessment of Enver Pasha), and the period of Soviet domination. It is unpromisingly pro-Turkic and its very virtues at times threaten its value as an objective study. A defect is the equation of Czarist and of Soviet policy towards



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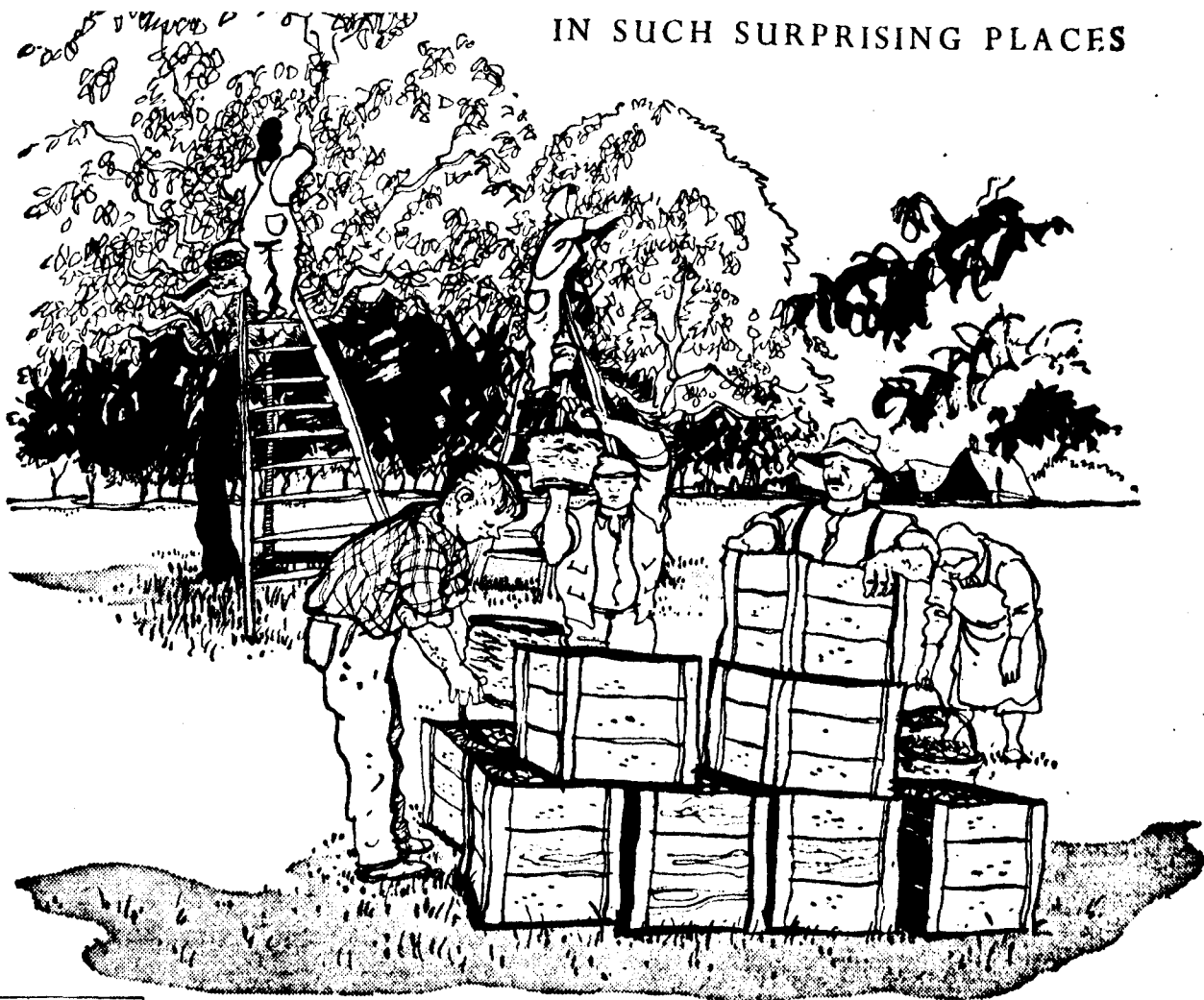
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these particular peoples. In the nineteenth century juxtaposition of Kazakh and Russian, the tragedies and perplexities of nomads anywhere in contact with a colonising frontier of settlement should be assessed. Whatever they did elsewhere and however cruel their battles, the Czars in Central Asia left Koran schools, Muslim ecclesiastical endowments and customary law intact.

Dealing with the Soviet period Sir Olaf states unequivocally what is happening in the five republics and shows the scale and the ruthlessness of Communist ambition and the resulting trammelling of national aspirations. Yet here, too, some observations could be made. The view that the Cyrillic alphabet was put in because Kemal's Turkey went over to the Latin script could be compared with a philologist's suggestion that Soviet nationalities living in close contact with the Russians changed over because "it is easier to write one's mother tongue with traditional Russian letters than with a... medley of characters elaborated... by some 'compromising' alphabetic commission." On the nomads it should be added that seasonal pasturage has been reintroduced in some places. This belated measure will not indeed bring back to life the million Kazakhs who perished in the forced collectivisation, which Sir Olaf describes with great insight. His book is valuable for putting into the limelight the process of assimilation by an implacable Moloch of fifteen million people who both deserve and claim a better fate.

Europe's Geography

A GEOGRAPHY OF EUROPE.

Edited by George W. Hoffman.

Methuen. 775 pages. 52s. 6d.

A SOCIAL GEOGRAPHY OF EUROPE.

By J. M. Houston.

Duckworth. 271 pages. 21s.

TO write an advanced geographical textbook on the whole of Europe that will be at once comprehensive and within reach of the pockets of undergraduates and teachers is probably an impossible task. Most writers reduce the ground to be covered by concentrating, consciously or otherwise, on certain aspects of European geography. In the past it was generally physical geography, and the relation of human geography to its physical setting, that was in favour. More recently greater emphasis has been placed on the way that man himself has, throughout history, formed the geographical framework within which he lives. Professor Hoffman inclines to this second approach, which is a natural reaction against the crude physical determinism of earlier writers. A further but related difficulty is to decide what proportion of the book shall be devoted to the systematic study of Europe as a whole, and what to the large number of quite small regions, of the order of the French Pays, which are so characteristic of the European scene. Professor Hoffman's solution is to devote two chapters

to the necessary historical and physical introductions, and then to divide Europe into seven major regions (Western Europe, Northern Europe, etc.), to each of which one chapter is devoted.

Within these chapters the treatment of material is mainly systematic: geology and physiography are followed by historical geography, population, agricultural geography and so on. Such a systematic treatment may well be the only way of dealing with the mass of material available, but the lack of purely regional geography does rather smooth over the variety of texture that is so characteristic of the European landscape. It is possible also that the pendulum has swung too far from physical geography: there is continual and necessary insistence on the importance of the historical development underlying Europe's human geography, but the equally revealing story of the growth of Europe's physical frame has been comparatively ignored.

Professor Hoffman, as well as contributing the chapter on Central Europe, had the task of co-ordinating the efforts of no fewer than nine other American and European geographers, of whom Professor East of Great Britain contributed the long chapter on "The Historical Background." This work of co-ordination is managed extremely well: all the regional contributions are built to a standard pattern, and each, we are told, was read by all the other contributors. The resultant unity is enhanced by the excellent maps, the majority from the same hand, which make this generally well-produced volume a real pleasure to use.

★

SOCIAL geography, according to Dr Houston, is the study of "the distribution and limits of population, migration and change; the study of rural settlements and field systems; and urban geography." These are topics on which British geographers have produced comparatively little work; the lack of studies of types of rural settlement and field systems is particularly noticeable. The output of their continental colleagues has been more voluminous, but is largely inaccessible to those who have not both linguistic ability and the use of a major geographical library. The idea of summarising this mass of work upon European geography, of relating to it the more scattered work on our own country, and of including with it the results of the author's own researches was therefore a most valuable one. The material is presented in a clear and logical form, with interesting and well-drawn maps and some most striking air photographs of various types of towns, villages and field systems. If it does nothing else, this book will serve to remind British geographers of the tasks that still lie before them in writing the human geography of their own country.

This is not the usual textbook version of what is already familiar to everybody, but a serious book for which there was a very real demand. It is therefore un-

fortunate that when Dr Houston's work is examined more closely, certain deficiencies are noticeable. In the chapters on the various aspects of the rural landscape, the important German studies of the last twenty years are almost entirely neglected, while much of the information on the forms of Germanic rural settlement is misleading as it now stands. In addition, the book is marred, especially in its list of references, by a disproportionate number of errors in the spelling of names and foreign words, and by incorrect page references. Finally there is a more debatable point: the author restricts social geography to the study of the various visible features of the cultural landscape quoted at the beginning of this review, together with population. Such a study is interesting and valuable, but is it really impossible to advance no closer to a truly social geography than this?

Shorter Notices

INTERNATIONAL ECONOMIC PAPERS.

Edited by Alan T. Peacock, Ralph Turvey, and Elizabeth Henderson. Macmillan. 255 pages. 15s.

With the aid of Unesco funds, the International Economic Association is doing a useful job in translating and republishing the important economic papers of which this volume forms the third selection. The Swedish School is represented by a penetrating critique of Professor Myrdal's "Monetary Equilibrium" by Hr. Tord Palander (1941) and by Wickse's key essay, "The Enigma of Business Cycles" (1907). There is an interesting correspondence between Croce and Pareto "on the Economic Principle," from the *Giornale degli Economisti* of 1900 and 1901. More recent reprints are "Customs Unions and National Interests" (Maurice Byé, *Economie Appliquées* 1950); "Underemployment in Underdeveloped Economies" (Alfredo and Ifigenia de Navarrete, *El Tremestrio Económico*, 1951); and "A Comparison of Marxian and Keynesian Dynamics" (Hans Peter, *Jahrbücher für Nationalökonomie und Statistik*, 1950)—this last being the only mathematical contribution.

The principle of selection is not clear, and a paragraph or two of editorial comment, particularly on those older papers whose background both of theory and of current events is outside the personal recollection of most readers today, would make the collection more valuable, but the standard is high throughout.

★

LAW AND THE COUNTRYMAN.

By W. J. Weston.

Rupert Hart-Davies. 146 pages. 7s. 6d.

This is a collection of articles almost all of which have previously appeared in *Country Life*. It does not set out to be a complete textbook for the farmer (today, a farmer would need the whole of the "Laws of England" if he wanted any such thing); it succeeds in being pleasantly informative. It is, perhaps, best suited to the gentleman farmer (if he still exists), someone who likes to have some knowledge of his rights and duties in his head but who is wise enough to know that he may have to fall back upon professional advice if he runs into real difficulty.

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.

Economic Balance Sheet

Washington, D.C.

THE annual Economic Report to Congress is a product of the Employment Act of 1946 which at the same time created the Council of Economic Advisers, one of whose duties is to "assist and advise" the President in preparing the report. Until last week, therefore, Mr Truman was the only President who had ever been required to report at the beginning of each session on the nation's economic health. For a time, indeed, in the spring of 1953, it seemed that he might be the last, as well as the first. Congress nearly destroyed the Council, and did succeed in disbanding its staff, by cutting off appropriations, and it was months before President Eisenhower was able to put the machine together again and appoint the three new members.

The change in the Administration and in the composition of the Council gave added interest to the report which went to Congress on January 28th. When Mr Leon Keyserling was chairman there were regular complaints that what had been intended as a severely objective document had become too political, and there was some curiosity about whether Dr Arthur Burns, who is much less of a political animal, would be able to avoid this particular pitfall. He tried valiantly but, as many people had suspected, a report to be made by the President to Congress cannot be drafted as if party politics did not exist and elections were never held.

Passages of self-congratulation, both for past achievements and triumphs still to come, were bound to appear—for example:

The success with which flexible monetary and debt management policies were used in 1953, first to prevent inflation and later to avert credit stringency, should inspire confidence among all citizens in the capacity and readiness of government to respond promptly to changes in economic circumstances.

And this is not the first Administration to take credit to itself at one and the same time for stopping inflation and for those by-products of inflation, such as the reduction of unemployment to the lowest level ever reached in peacetime, which have popular appeal.

Those who have been watching the "readjustment" or "descent from an overtime economy," which has lately been making economists wonder whether the United States was headed for an "orthodox recession" or, perhaps, something a little more unpleasant, had hoped that the Economic Report would shed some light on the views of the three men whose responsibility it is to keep a sharp eye on what is happening. But it shed very little because, apparently, the President's advisers on public relations

have passed down the word that those who talk about the possibility of recession are to be called "pedlars of gloom and doom." The first congressional comment came from Mr Halleck who, as Republican leader in the House of Representatives, presumably knows what is expected of him; he called the report a

devastating answer to the shameful whispering campaign of reckless partisans who are trying to stampede the country into a depression for their own political advantage.

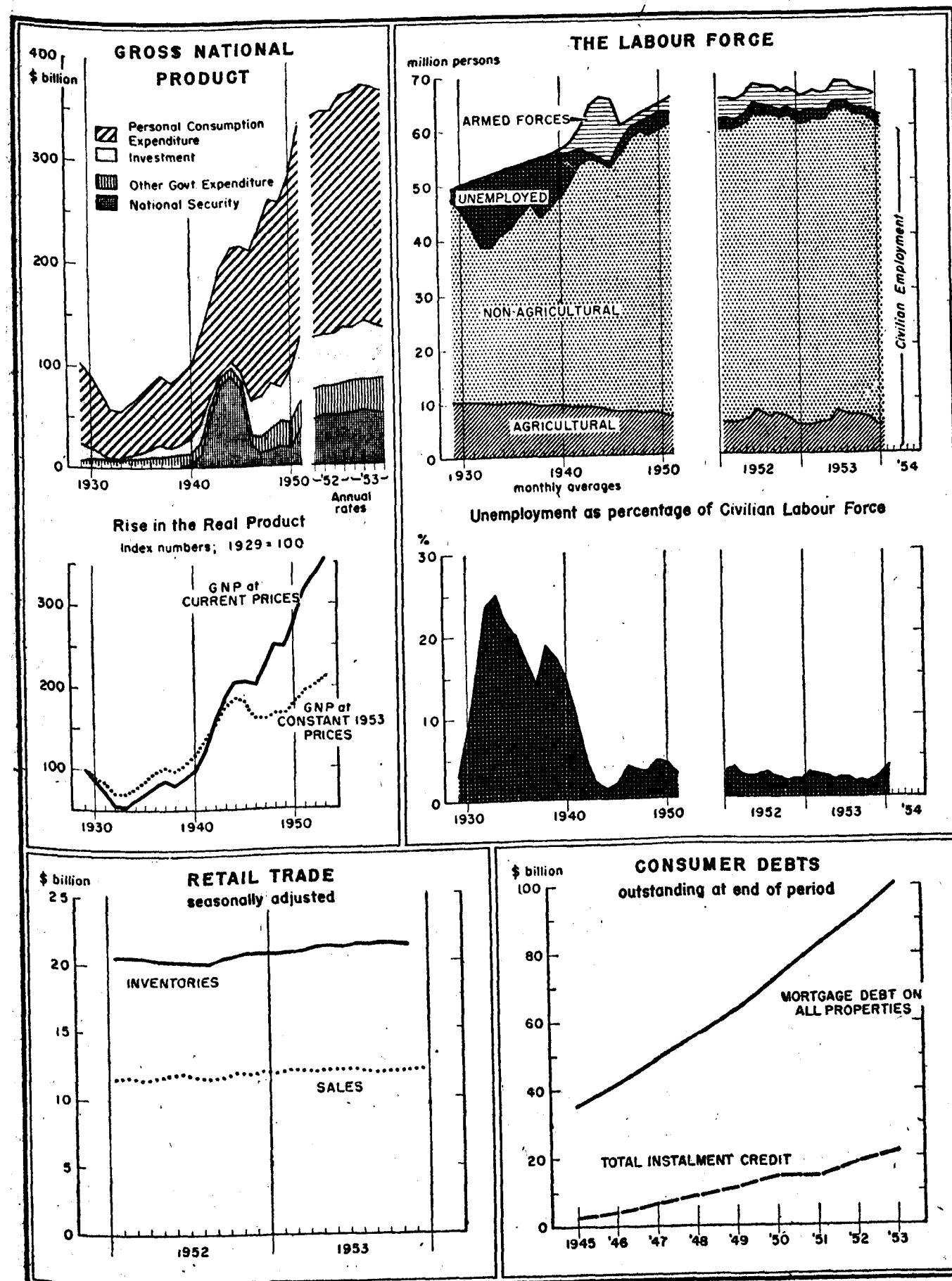
Mr Halleck, unlike Senator Douglas, who takes a more pessimistic view of the immediate future, is not hampered by a knowledge of economics; he overlooked—as did all the writers of headlines in the American press—the significant fact that almost every expression of confidence by the Economic Advisers was followed by a warning. The warning generally took the form of a statement that a "minor readjustment" could develop into something serious unless the government was prepared to use the power at its disposal—power which, it is widely feared, many in Congress would be loth to allow it to use. Nevertheless, the expressions of confidence are based on something more than a desire to discourage the United States from talking itself into a depression.

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There are three factors which seem to justify the Council's belief that the present "contraction" need not continue until the autumn. One is that the number of new houses started in 1954 is expected to be close to the number started last year and that there is nothing to suggest at the moment that the saturation point in housing has been reached. Indeed, the Council believes that "vacancies in our cities, with few exceptions, are below the level regarded as necessary for a healthy, competitive market," that the continued movement to the suburbs will ensure a high rate of residential construction for some time to come and that, thanks to the system of insuring and guaranteeing mortgages, "the housing industry has become less vulnerable to recessionary influences and is less likely to contribute to economic instability."

The report also points out that there is no speculative position on the Stock Exchange, as there was in 1929, to multiply the effects of a business contraction. There has been, however,—and this may prove equally unstabilising—an enormous increase in the amount of instalment credit outstanding. It was just over \$3 billion at the time of the crash in 1929, fell to as little as \$1.5 billion by the end of 1932, and has been rising rapidly ever since 1945, except

The American Economy



during the first year of the Korean war. It increased, indeed, in the twelve months between June, 1952, and June, 1953, by the record amount of \$4.6 billion—from \$16 to \$20.6 billion—and, despite the drop in employment since then, it has grown another \$1.2 billion. But there would not have to be any great further rise in unemployment before the potential danger of such a large draft on the future became a very present one. There was also, by the end of 1953, more than \$100 billion of mortgage debt outstanding, which would undoubtedly have, in the eyes of the debtor, a prior claim.

However, perhaps the single most hopeful factor the Council was able to report, and one that had not been previously revealed, was that, while inventories declined during November and December, the level of retail sales did not. Since what has happened so far has been an inventory recession, there is reason to hope that the Economic Advisers are right in their belief that "the inventory adjustments have been largely responses to current sales rather than protective movements geared to unfavourable forecasts of future sales." If this belief is true, then they are right in saying that the "moderate contraction now under way" should stop soon. But, with the caution they show throughout the report, they add the warning that "an inventory readjustment can affect other types of spending" and, indeed, the whole stream of business and consumer spending.

There is, therefore, nothing in the report to answer the question being asked by so many people—is there going to be a recession serious enough to have a disturbing effect on the rest of the world, if not on the United States as well? It would not be surprising to learn that Messrs Burns, Jacoby and Stewart are somewhat less optimistic as individuals than is the Council of Economic Advisers as a corporate body. And they can hardly be altogether confident that, should the moment come when they feel that the government must act, their advice will be taken in time. The chairmen of congressional committees, although nominally of the President's party, are likely to be obstructive, but there might also be opposition from nearer home. It is, after all, less than four months since the Deputy to the Secretary of the Treasury congratulated the country on moving back to American principles from the "alien philosophy partly borrowed from Karl Marx and partly from Maynard Keynes" which had, during the last twenty years, "crept into public thinking and into the councils of government." Yet should it become necessary to counter recession, it will be difficult for the Economic Advisers to find any expedients which are not tainted with one or other of these philosophies.

"Buy American" Shocks

New York.

THE Department of the Interior has just awarded a new contract for an electrical transformer for the Bonneville dam in Oregon to an American firm, the Maloney Electrical Company, even though its offer, a minimum of \$404,000 with an escalator clause that might push the price up to \$480,000, was at its lowest nearly \$140,000 above the amount bid by an Austrian firm, the American Elin Company, and nearly \$70,000 above an Italian tender. This

award came shortly after a similar case, in which another Bonneville contract went to the Westinghouse Electric Corporation, although both the American Elin and English Electric Companies had submitted bids that were substantially lower. On both these occasions, the Department of the Interior argued that the foreign firms had insufficient experience of building the particular type of transformer required, although the Austrian and British companies had previously been awarded contracts, not yet completed, for similar types of equipment for the Bonneville dam.

Foreign firms may therefore be excused for fearing that the tendency of the present Administration is to avoid arguments with the American electrical industry by interpreting specifications and engineering requirements in ways that keep competitors from abroad out of the American market. If this is so, then it will make little difference to foreign firms even if Congress does improve the Buy American Act, which requires that domestic concerns be given preference in the award of government contracts, as the Randall Commission recommended.

The Buy American Act is a vague Act, which has generally been interpreted by administrative regulation to mean that foreign bids may be accepted if they are 25 per cent lower than the lowest American bid. Although the government agencies since the Republicans came to power have at times seemed to be keeping to this criterion, at other times the factors on which they have based their awards have been difficult to appraise. This erratic behaviour has given nearly as much cause for complaint to the domestic industry as to overseas competitors. The recent Bonneville contracts are examples of awards that have gone to American firms when foreign bids have been lower by more than 25 per cent, but on other occasions a foreign firm has won a contract even when it underbid by less than 25 per cent. For instance, the English Electric Company was recently successful with a bid, for two generators for the McNary Dam, which was only 15 per cent below that of the General Electric Company.

This American firm has protested to the government against the award, adding to the domestic electrical industry's rising clamour for more effective and certain protection than has been provided by the Buy American Act. American manufacturers of heavy generating equipment have been faced with mounting competition, particularly for federal government contracts, ever since the European electrical industry began to re-enter the American market after the war.

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The American electrical industry rests its case for preferential treatment on three broad bases. It contends, first, that foreign firms have insufficient experience of manufacturing for and installing equipment in the United States—although how such experience could ever be gained if imports were barred is not explained; that, while foreign firms may meet American engineering standards as set out in the specifications, normally they do not, as do American firms, provide for overloads well in excess of rated capacity; that, owing to the high cost of labour in the United States, American equipment is built with a view to minimising maintenance costs, while in Europe such considerations are less important; and that American suppliers can guarantee an immediate and continuous repair service, but that over-

seas suppliers are less dependable and may, in wartime, be unable to ship urgently needed replacement parts. Secondly, as the General Electric Company calculated in the McNary Dam case, the American bidder may argue, on the basis of a number of rigid assumptions, that the federal government loses more in tax receipts, from the domestic manufacturer and from his suppliers, his employees and his shareholders, than it gains by accepting a lower tender and collecting import duty from the overseas supplier. The electrical companies' third contention is that, since a prosperous domestic electrical equipment industry is essential for the security of the United States in time of war, that industry must be protected against foreign competition.

The greatest benefit to the federal government, and to national security, would obviously be obtained if American firms could win all the contracts by underbidding their foreign competitors. This raises the issue which is fundamental to the whole controversy—the question of comparative labour costs in the United States and Europe. Heavy power generating equipment is essentially "custom built," to exact specifications and tailored to meet the needs of the particular project. With few exceptions, therefore, the major components cannot be mass-produced. The cost of labour is thus a large part of the total cost: wages in the European electrical industry are so much lower than in the American that no conceivable advantage in productivity that the United States may have in this type of equipment is sufficient to offset the labour cost advantages enjoyed by its European competitors. Experts have recently estimated that wage costs in the electrical equipment industry in Britain were in 1952 only 28 per cent of the equivalent American labour cost and that, more significantly, the differential between the two had widened considerably since 1938. Although comparisons of this nature can never be exact, there is certainly a large wage differential, at existing exchange rates. But does this mean that a single American industry must be protected at the expense not only of the American taxpayer, but of the prosperity and industrial strength of America's allies?

American Notes

Constitutional Divisions

THROUGH the fog of party rivalry and parliamentary manoeuvre that at the time of writing surrounds the Senate debate on Mr Bricker's constitutional amendment, it is clear only that the amendment itself has now no chance of being approved by the necessary majority of two-thirds and that the President's opposition to any interference with the constitutional division of powers is as strong as ever. For the White House has turned down a bipartisan compromise, the best that could be worked out by Senator Knowland, the Republican leader, and Senator George, the Democrats' constitutional authority, and one that Mr Bricker too was prepared to accept. Its exact terms are not available, but it is understood to have included an earlier proposal of Mr George's, that congressional approval

should be required for executive agreements—the President can now conclude these with other countries without congressional approval, at least until the necessary funds have to be voted. This made the compromise unacceptable to Mr Eisenhower, even though it abandoned the notorious "which" clause, the centre of the objections to the Bricker amendment. This clause would, it is argued, enable a single State Legislature to block United States participation in an international treaty.

The effect of the controversy on the Bricker amendment, and of the Administration's efforts to rally public opinion against it, has been that this constitutional argument has become a lively, even if not a very well understood, political issue. This partly explains why the President is prepared to forgo the outright victory which he could certainly have over the rebellious members of his own party, and to consider a constitutional compromise in the Senate, provided it is innocuous, which would allay popular fears that the presidential treaty-making powers might be abused. Another even stronger reason for a compromise, at least for one acceptable to Mr Bricker, is that it would prevent the division between the two wings of the Republican party, Mr Bricker's isolationists and Mr Eisenhower's internationalists, from becoming publicly defined in a bitter fight and an open vote in the Senate. Finally, a compromise, would, or perhaps only might, mean the end of the argument, which will otherwise constantly come up, to divide the Republican party and perplex the voters, between now and the November elections.

But it seems unlikely that any compromise amendment can be found that is approved both by the President and two-thirds of the Senate, especially since a group of liberal Democrats is opposed to any tampering at all with the constitutional treaty-making provisions. It now appears probable that the whole question will be referred back to committee. There is always a danger that from there it may escape once more on to the floor of the Senate, but the President's supporters hope that this time they will be able to kill it off before it does.

Return of the Prodigal Son

THE President's counsel of sympathy and suspended judgment has been welcomed by many Americans who are unwilling to jump to conclusions about the former prisoners of war from Korea who are to be tried for collaborating with their captors. Mr Eisenhower even referred his listeners to the parable of the prodigal son, to excuse men who made a simple mistake under trying circumstances—that is, became sympathetic to Communist ideas—and then repented. There are other Americans, however, who feel that there is no excuse for those who "went progressive" and still more, particularly in the services, who feel that standards must be maintained, whatever extenuation the individual may plead.

Both the President and the Defence Secretary seemed surprised and displeased by the timing of the Army's announcement that it had arrested one of these returned prodigal sons, Corporal Dickenson, and that a court of inquiry would determine whether he should be court-martialled on charges of currying favour with the Communists, at the expense of his fellow prisoners, to secure

better treatment for himself. Corporal Dickenson was one of the original 23 Americans who refused repatriation; with one other, he later changed his mind. At the time of his arrest the Department of Defence evidently had not abandoned hope, as it did a little later when it issued dishonorable discharges for the remaining 21, that they might be won back. The Army's view is that in simple justice to other prisoners who suffered the full rigours of the camps, Corporal Dickenson could not be left to enjoy, undisturbed, the prodigal's welcome which Crackers' Neck, Virginia, had accorded him.

On the case of Colonel Schwable, which is rather different, the President said what is in many minds: that no one sitting in the comparative security and comfort of Washington could be sure how he would have acted under mental and physical torture. Colonel Schwable, of the Marines, was the highest ranking of the 36 American airmen who signed false confessions of having taken part in germ warfare. All renounced them when they were released. Forty others nobly refused to sign anything. The President's assurance that the Secretary of Defence will watch both trials carefully is, however, a guarantee that justice will be tempered with mercy and that if the Marine Corps' motto of *Semper Fidelis* must be upheld, it will not be done too ruthlessly.

Coffee Boils Over

WITH the price of green coffee boiling up from 57 cents to over 70 cents a pound in two months, and with the retail price of vacuum-packed ground coffee at over \$1 (7s.) a pound, and in danger of going to \$1.20 in a few weeks, there is fervid rivalry in Congress and government for the honour of finding the source of the heat. If the Republicans cannot shift the blame, high coffee prices will scald their chances of winning housewives' votes next November. But if they succeed in shifting it, as many of them are trying to do, on to the Latin American suppliers of coffee, then the relations of the United States with its neighbours will cease to be good.

There is in fact little doubt that coffee will remain on the boil for months, if not years. For this winter's rise in price is, in part at least, the result of a short crop in Brazil this season and of a severe frost last July which will affect next season's crop. Brazilian officials have invited American clubwomen and trade unionists to come and see for themselves that higher prices are justified by the present shortage. This disaster came at a time when the once plentiful stocks in Brazil, which supplies about half the coffee used in the United States—and the United States uses two-thirds of the coffee consumed in the world—were nearing exhaustion. For since the war's end brought Europe back into the market, a steadily rising demand for coffee has been regularly exceeding production. New bushes planted now will take several years to produce a crop, far longer than any American buyers' strike is likely to be sustained, against present prices, at least. Even now such strikes, much publicised as they are, seem far from general, although one restaurant is paying five cents to every customer who orders a substitute beverage with his meal and coffeeless Wednesdays are being suggested.

But in spite, or probably because, of this underlying

situation, the Federal Trade Commission has found enough evidence of speculation to justify it in starting, at the President's request, a full-scale investigation of the rise in future prices and of a possible corner in coffee. The Senate Banking Committee is conducting an inquiry of its own into the whole market position, and Senator Gillette is improving the occasion by urging that the Coffee and Sugar Exchange be brought under federal control. The other exchanges, for domestically produced commodities, already controlled and Senator Gillette has been recommending this type of regulation for coffee ever since it last boiled over four years ago.

Ashamed to be Solvent

MEMBERS of Congress who find it as difficult to balance their own budgets as it is to balance the federal government's are equally reluctant in both cases to apply the obvious remedy, especially in an election year. For they believe, and a recent Gallup poll confirmed that belief, that the voters would look as suspiciously at a Congressman who had voted for an increase in his own salary while preaching economy as they would at one who had voted for an increase in taxation. Thus, even though congressional salaries are among the few that have not gone up since 1946, members of Congress were alone in testifying to the President's Commission on Judicial and Congressional Salaries against higher pay for Senators and Representatives. One of these witnesses, Mr Burdick of North Dakota, has since relented to the extent of suggesting a bonus of \$2,500 a year every time a legislator is re-elected.

The commission evidently, and probably rightly, took such expressions of satisfaction as being for public consumption only and it has given members of Congress an opportunity of saving both their faces and their solvency. Its report, on which some action must be taken before the middle of March, recommends such a big increase in congressional salaries that legislators can vote themselves a substantial rise and still argue that they are exercising great self-denial. The commission proposed a doubling of the present pay of \$12,500 which, with the expense allowance of \$2,500, would bring congressional salaries up to nearly £10,000 a year before taxes, with free office space, secretarial help and other perquisites as well. At present, however, the expenses of only one trip home and back a year are paid; the commission suggests that six round trips should be allowed free.

The commission's argument is that congressional pay has not only not kept pace with the rise in the cost of living and the responsibilities of the position, but has also fallen below the salaries that members could earn in other employment notably in industry and legal practice, and even in the civil service. As a result members of Congress are taking outside work when legislation today should be a full-time job, some experienced legislators are retiring from Congress and able men without private means are refusing to run for election. This argument can also be applied to the judiciary, and salary increases, of much the same order as those advocated for Congressmen, are recommended for federal judges. The Speaker of the House of Representatives and the Vice President, who presides over the Senate, should, according

to the commission, get \$40,000 instead of \$30,000 a year and more adequate expense allowances. The Vice-President, whose duties are becoming more onerous, should also have an official residence. If all the recommendations were carried out, the net cost would be only \$7.5 million a year, allowing for the amount that would come back to the Treasury in tax payments.

Additives or Octanes?

New York

THE higher quality petrol containing new chemical "additives," which has now been introduced in Britain, has been available to American motorists since last summer. In the American race for better engine performance, a flying start was secured by the Shell Oil Company with an aggressive advertising campaign for its new TCP petrol, a premium grade fuel containing the additive tri-cresyl-phosphate, first developed for the Air Force. The company enjoyed an immediate and striking increase in sales beyond even its own expectations, and it was five months before competitors began to fight back seriously. They relied, however, in general on the appeal of higher octane fuels, rather than on additives, although if they could find better additives than Shell has done, there is no doubt that they would use them.

The basic problem, from which started the race for the quality stakes, is that of dealing with the unwanted metallic deposits that collect in motor-car engines. The deposits on the sparking plug form a conductor which short-circuits

the spark; those in the cylinder head become "hot spots," giving rise to pre-ignition, an undesirable condition recognisable by a noise described appropriately as "wild ping"; this is not to be confused with the conventional "knocking" normally associated with the burning of too low octane petrol in a high-compression engine. In both cases, the effect of the deposits is to reduce significantly the power of the engine.

Other oil companies dispute the Shell claims regarding both the frequency of pre-ignition and plug-fouling, and the effectiveness of TCP in overcoming them. Since the arguments are based on tests carried out by different companies, under different conditions, and notably with different brands of petrol and motor oil, refined by different methods, the disagreement is hardly surprising. But it is indeed remarkable that, while one company could find that only 3 per cent of late model cars experienced pre-ignition troubles, another company could claim that 95 per cent did.

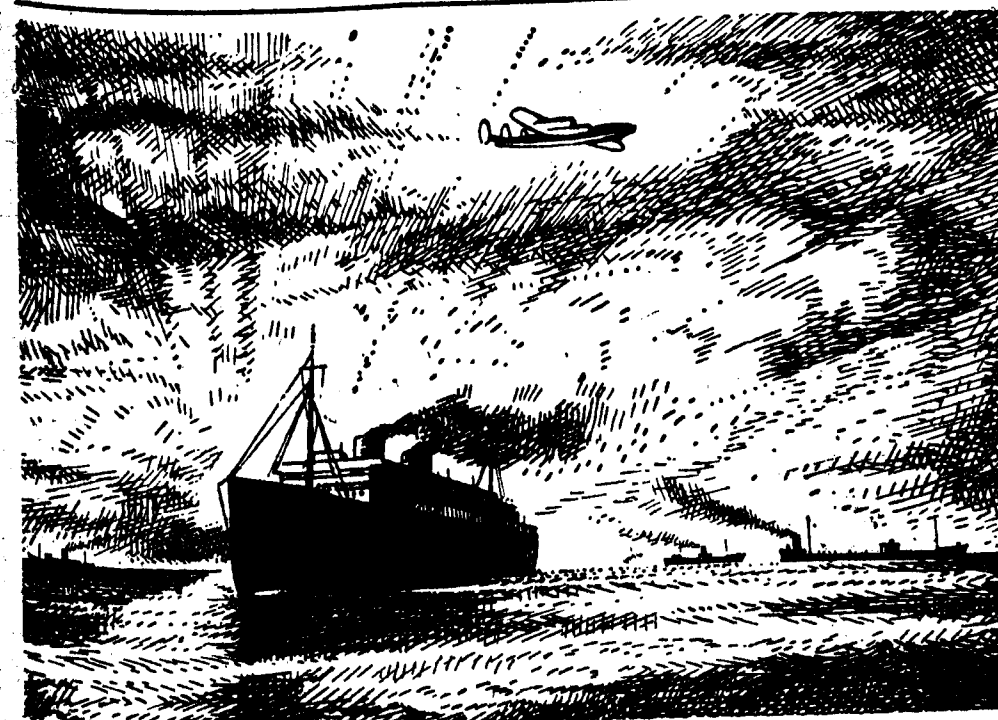
More fundamental than this technical and statistical dispute, however, is the adoption by the oil companies of two separate, although not necessarily mutually incompatible, routes to better engine performance. The Shell way—the additive way—has given quick results, but its main purpose is to neutralise the adverse effects of the deposits, without preventing their occurrence. The other way is to tackle the problem at its source, by trying to eliminate those properties of petrol and motor oils which cause the deposits in the combustion chamber. The motorist may well be gratified by the new power thus put at his disposal. But perhaps the economist may be forgiven for wondering, as he watches the crawling city traffic, whether the value of the prize is worth the cost of the resources expended in winning it.

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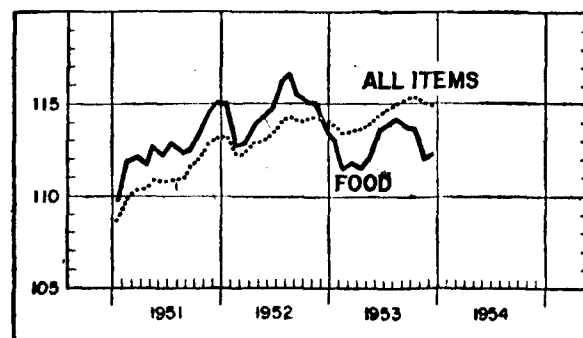
Businessmen's Trust-Busting

THE group appointed to recommend changes in the anti-trust laws is not likely to report in time for Congress to act at this session. But already the Republican philosophy of "promoting competition rather than attacking industry" is bearing fruit. Somewhat fewer new cases are being brought by the Department of Justice—under thirty in the past year, compared with an average of fifty a year under the Democrats. This is not necessarily proof of relaxed vigilance, as some small traders fear; the Republicans claim that they are bringing only legally sound cases against clear-cut violations of the law, instead of pursuing ideological vendettas which will not hold up in court, such as that against the du Pont Company for an alleged monopoly in cellophane. The suit brought against Pan American World Airlines and the Grace Company for restricting competition in transport to South America through their control of Panagra Airways has shown that some big businesses which enjoyed immunity under the Democrats are in for rude shocks.

Particular emphasis, however, is being placed on weeding out the hoary perennials, cases begun as long ago as 1941, and saving both business and the government time and money by trying to reach agreement out of court in both old and new cases. Whether substance is being sacrificed to speed depends upon the terms in individual cases. In one important settlement, that with the great chain-grocers, the Atlantic and Pacific Tea Company, the general view is that the company got off lightly. The A and P, as it is generally known, has promised to mend its ways and dissolve one offending subsidiary, but despite the Department of Justice's insistence that it is going to spend more time on enforcement than the Democrats did, there is some doubt whether compliance will be easy to obtain. The original aim of the Democrats was to break up the chain into seven competing units.

At the Federal Trade Commission, which also investigates anti-trust violations, the new Republican majority has propounded a "rule of reason" in place of the twenty-year-old Democratic practice of making certain trade practices automatic (or *per se*) violations of the law. But the wider look which the commission is insisting on taking at the economic consequences of certain practices and the greater

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discretion it intends to exercise may not always benefit business. One small concern, whose exclusive contracts the commission decided had not greatly injured competition, has profited. But the case against Pillsbury Mills, Inc., which a trial examiner dismissed, is to be reheard; the commission believes that when Pillsbury bought up the assets of two competing flour concerns, the company, on the face of things, did exactly what Congress forbade when it tightened the anti-merger provisions in 1950.

SHORTER NOTES

The Senate has ratified the mutual security treaty with the Republic of Korea, which was negotiated last August after the truce had been signed in Korea. Administration spokesmen assured Senators that the United States was not committed by the treaty should the South Koreans resume hostilities on their own responsibility.

Last week, after *The Economist* had gone to press, the Senate Interior Committee reversed its earlier refusal to separate the twin questions of statehood for Hawaii and Alaska. The Hawaiian Bill will be debated shortly by the full Senate, while the Alaskan Bill is still in committee.

The launching of the atomic submarine, *Nautilus*, last month marks the first major attempt to propel a vessel by atomic energy. Built in two and a half years at a cost of \$55 million, this giant of the submarine fleet will undergo sea tests in about six months to substantiate the belief that, with a top speed of 30 knots, it can circle the globe without surfacing, a wartime advantage that may offset its size and cost.

Through a special Bill that has been passed by Congress and sent to the President, the acreage that may be planted to cotton in 1954 has been raised from the 18 million acres set by the Secretary of Agriculture, in accordance with the law on price supports, to 21 million acres. The new figure still represents a 16 per cent. reduction from the 25 million acres planted last year, but various steps are also taken in the Bill to soften the blow to the western states which suffer most severely from these cuts.

In the first major Bill to come before it at this session, the House speedily gave its approval, and an initial fund of \$26 million, for the establishment of an Air Force Academy, with the same status as the Navy's Annapolis and the Army's West Point. The number of students will be limited to 300 cadets annually until the Academy is permanently established, at a site yet to be chosen and at a cost of between \$100 million and \$500 million. Senate approval is, however, still needed.



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Tibet Behind Curtains

NEGOTIATIONS between India and China about Tibet began in Peking on the last day of 1953. It has been officially stated by Mr Nehru that the talks will not deal with territorial questions—that is to say, with the undemarcated sections of the Indo-Tibetan border, which are presumably to be left as they are—but only with matters of trade and communications. Since the Chinese in 1951 reconquered Tibet after its long period of *de facto* independence they have had to deal with factors of Indian influence there which do not conform to their idea of sovereignty over the country, and which were not automatically eliminated even when India withdrew its original protest against the suppression of Tibetan independence. During the period of independence the Indian government had had a representative with quasi-diplomatic functions in Lhasa; with the restoration of Chinese rule, Delhi was willing to reduce this to a consulate-general; but that still left it with a means of contact with the Tibetan authorities in the capital, and with three other consulates at Yatung, Gyantse and Gartok. All these had Indian military guards for their protection and communication with India by an Indian-owned telegraph service.

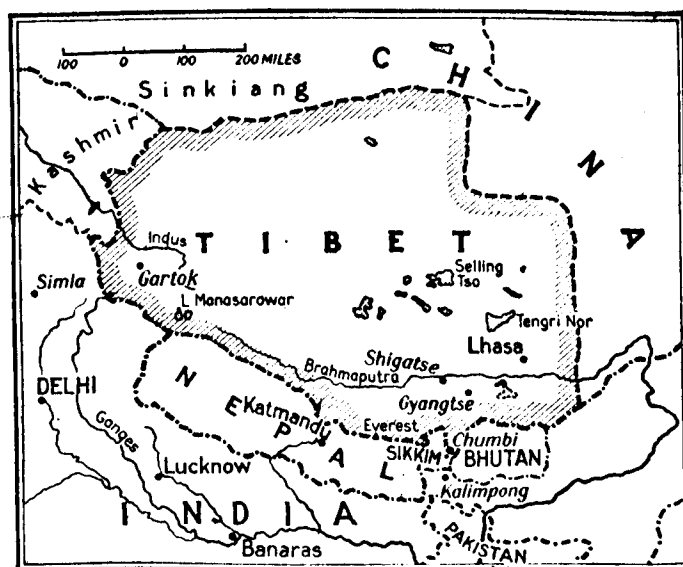
These consular agencies have hitherto served the needs of a number of Indian merchants trading with Tibet across the Himalayan passes. There has also been a constant coming and going of Indians over the frontier in pilgrimage to the sacred lake of Manasarowar, which is within Tibet. All such contacts are naturally contrary to Communist ideas of secluding a people who have been "liberated" from contamination by the non-Communist world; and in any case, if Chinese sovereignty over Tibet is once recognised and made effective, it is for the Chinese government to decide whether it will allow foreign consulates to exist in Tibet or permit foreigners to enter the country. In Sinkiang, where there was formerly an Indian consulate-general at Kashgar and Indian merchants did a brisk trade

from Kashmir, conditions have been made impossible for Indian residence or travel since the Communists took over control; the province has been declared a "closed area" and the Kashgar consulate-general has had to be wound up. In Tibet the Chinese Communists have not yet proceeded to such extreme measures in order to isolate the territory from India, but Indian merchants and pilgrims have been subjected to vexatious and harassing treatment and it has been made plain that the new authorities are unwilling to allow the old relations with India to continue.

For Mr Nehru the situation is politically an awkward one, for if Indians are to be excluded from Tibet as they have already been excluded from Sinkiang, it cannot fail to produce adverse criticism at home of his policy of cultivating friendship with the Chinese People's Republic. To many Indians it seems that the barring of Indians from places to which they have long had access is hardly an appreciative response to the friendly gestures of their Prime Minister, and unless he can preserve something of the former Indian rights, he may find himself under pressure to get tough with Peking, which would involve modification of his whole foreign policy. The present negotiations are,

therefore, of considerable importance, and it seems that for bargaining purposes Delhi is relying on the minimum of trade with India that is indispensable to Tibet and its Chinese garrisons in the present state of Chinese communications.

Unlike Sinkiang, which can obtain from the neighbouring areas of the Soviet Union any supplies which cannot be brought across the desert from China proper, Tibet must depend on India for various commodities, including extra food for the army of occupation, which it is still virtually impossible to convey in bulk over the mountain ranges dividing Tibet from the Chinese "motherland." The Communists are, indeed, working hard to remedy this state of affairs; motor roads are being constructed into Tibet from



Sikang province to the east, from Chinghai to the north-east and from Sinkiang to the north-west, but the distances are enormous, and the conditions for road-building extremely adverse, so that for some time to come the easiest approach to Lhasa and Shigatse will continue to be from Sikkim. Last year the Chinese had purchases of rice for their troops sent up from Calcutta rather than routed directly from China, and even so the shortage of food in Tibet has been so severe that Peking is reported to have withdrawn a third of the occupation forces.

A Victory for the Dalai Lama

Meanwhile there is evidence that the attempt to absorb the strongly differentiated Tibetan nationality into the body politic of China has been meeting with serious difficulties. There have indeed been some spectacular publicity successes; the sister of the Dalai Lama has attended the Vienna Peace Congress, and a delegation representing both the Dalai and Panchen Lamas has visited Peking and praised the "free and happy life" of the peoples of China "under the correct leadership of Chairman Mao and the Chinese Communist party." What is more to the point, the Communists have been bringing young Tibetans to Peking to undergo courses in Marxism-Leninism and training as cadres for future administration. But in the meantime there appears to have been a consolidation of Tibetan sentiment round the Dalai Lama as the symbol of the national cause. He has emerged from his traditional seclusion and goes about freely among the people of Lhasa; he has refused to fly the flag of the Chinese People's Republic from his sacred palace, the Potala; and when the Panchen Lama (whom the Chinese have tried to build up as a rival to the Dalai Lama) recently visited Lhasa, the collective ruling of the religious dignitaries compelled him to prostrate himself before the Dalai Lama and thus admit his subordination, in spite of a Chinese demand that they should bow to each other as equals.

Even more disconcerting for the Chinese, a nationalist political party was formed and held demonstrations in Lhasa; it has now been banned and its leaders arrested, but it may well continue to exist underground. There is no sign that the Tibetans are strong enough by themselves to drive out the Chinese, but the latter are still too few on the ground to be able to take extreme measures without serious risk; they cannot count on being able to control this vast and mountainous land if, by a direct attack on the Lama hierarchy, they were to provoke the Tibetans to a guerrilla revolt.

The East Seeks New Markets

THERE has been an unusual buzz of activity on the east-west trade front in recent weeks. A party of British business men, 33 strong, having finally obtained their visas, are now in Moscow for trade talks from which they expect to reap rich harvests. Simultaneously reports from the satellite capitals speak of eagerness on the part of Hungary, Poland and Czechoslovakia for new trade and financial talks with the British Government. The Hungarian overtures are of particular interest because trade between the two

countries has been virtually at a standstill since Mr Sanders was imprisoned in 1949. On his release last August the British Government expressed willingness to discuss a debt settlement that might lead to a new trade agreement; but until now Budapest has not responded.

Since Malenkov last August proclaimed the policy of "extending economic relations with foreign countries" as part of the general drive to improve the lot of consumers behind the iron curtain, the Communist bloc has tended to concentrate on working out deals with the industrially undeveloped areas—India, Indonesia, Greece and some of the Latin American countries. The import policy of the Communists in regard to those areas has been consistent but there has been no similar homogeneity in their exports. From these sources they have sought unprocessed foodstuffs and raw materials for their own consumer industries. They have offered in return an extraordinary hotch-potch of goods, all of them in negligible quantities—manganese, engineering machinery, grain and other agricultural products, coal, optical instruments, oil, and so on.

Now, one by one, the western industrial nations are being approached, first France, then Italy. The most recent is Belgium, with which the Soviet Union has just signed a trade agreement. The composition of Soviet imports is familiar; the emphasis is on ships, machinery and technical fibres. Fats and vegetable oils appear for the first time, but there is no mention of the manufactured consumer goods that the Russian peasant has been led to expect. Perhaps the Russians' intention is to acquire from Britain the necessary machinery with which to turn out their own goods—a policy that would accord with their long-term goal of self-sufficiency as soon as possible.

Communist Exports Lag Behind

The Soviet Union proposes to send to Belgium some of its traditional exports—wheat and timber—along with a few strategic materials that have only recently begun to reappear on Soviet export schedules—manganese and chrome ore. In recent months, however, more than one trading partner has found that the East has fallen down heavily on its deliveries. Greece is a case in point. Not long ago a Greek official declared that the new trade agreements with members of the Communist bloc have "proved disappointing." The Soviet Union has lagged behind in exports of such goods as timber and machinery and "in most cases the Russians have made no deliveries at all."

The satellites appear to be even more hard put to it than the Russians to find exports with which to pay for increased deliveries from the outside world. Apart from Polish bacon and coal and Czech sugar and textiles the satellites seem to have little to offer of interest to the West. Many of their prewar agricultural surpluses have disappeared. And their medley of light industries competes directly but unsuccessfully with the output of West European light industry.

As a consequence of these developments some West European nations are becoming increasingly disillusioned with eastern markets. Sweden, for instance, which has long taken the lead in developing east-west trade, has recently refused to supply the Czechs with iron ore because of unsatisfactory payments. Czechoslovakia, rather than make good on this trade, is striving to develop its own iron resources; it has also turned for supplies to Brazil, a debtor country whose record as a trading partner more or less matches its own.

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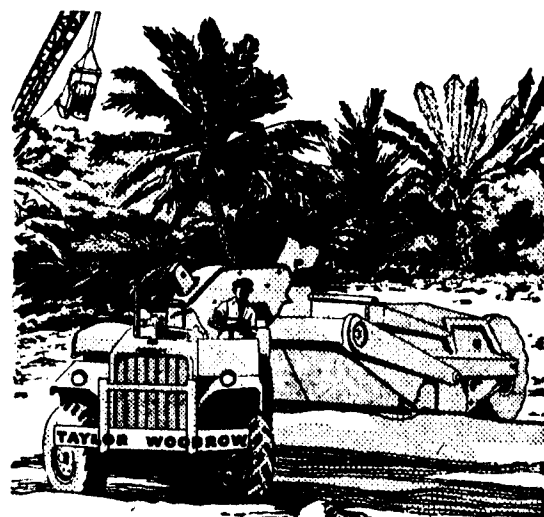
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Squaring Strasbourg with GATT

FROM OUR SPECIAL CORRESPONDENT

TWO things were achieved by the conference of European and Commonwealth businessmen, financiers and economists which met last weekend, under the auspices of the European Movement, at Church House, Westminster. It publicly launched the idea, which has been hovering for some time in the economic air, of some closer form of trading collaboration between Europe and the Commonwealth and French Union; and it managed somehow to reconcile this idea with the spirit, if not entirely with the letter, of Gatt. The conference was fortunate in meeting so soon after the publication of the Randall report in the United States, since its underlying purpose was to produce preliminary talks between as many European and Commonwealth countries as could be induced to think alike about trade matters, with a view to a subsequent concerted approach to the United States. The conference appeared in fact to be the crystallisation of the feeling in Europe that something new and drastic must be done to try to make the currents of world trade and investment flow in Europe's favour.

The 218 delegates to the conference had taken as read the Council of Europe's "Strasbourg Plan." This is a proposal to tighten the trade and investment links between Europe and its overseas territories by means of a system of intermediary preferences, situated somewhere between imperial preference rates and the corresponding most favoured nation rates which would be enjoyed by members of the Council of Europe in their trade with the overseas territories. The *prima facie* attractiveness of this plan is heightened by the uncertainty surrounding the reception which even the fairly modest Randall recommendations are likely to get on the other side of the Atlantic, and by the real need for some means of solving Europe's balance of payments difficulties. The concept of an industrial western Europe, interlocked with African and Asian territories crammed with raw materials, in a single bloc independent of the dollar, is one which is certainly likely to commend itself to Europeans. As the great majority of the delegates were Europeans, and not representative of governments, the Strasbourg conception received their general blessing.

Icy Blasts of GATT

During the course of the discussions it became clear, however, that the Strasbourg plan meant different things to different people; and here lay the real divergence of opinion which split the conference. To the protectionists the plan was a means of restricting trade to an exclusive bloc; to the free traders it meant the establishment of a practical regime which would temper for a period the icy blasts of Gatt to the economically shorn lambs. Admittedly in the conference's final resolution on trade some relaxation of the most favoured nation clause was recommended, but only with the express proviso that preferential rights should be regarded as steps towards a universal system. The conference indeed roundly condemned trade restrictions of all kinds. A significant incident occurred in committee when a member of the United Kingdom delegation tried to insert

a clause in the resolution permitting the increase of tariffs to protect infant industries. He was howled down by the whole German delegation, most of the French delegation, and the Canadian representative. *The upshot of the conference was a clear victory for liberal economic principles.

Though this conference has done valuable work in stating a case and putting forward a plan, it is difficult to say what its effect will be. It may be that the somewhat limited funds at the disposal of the conference made it difficult, for transport reasons, to secure an adequate representation of the Commonwealth countries. Of the eight massive reports submitted for preliminary reading, none was written by a Commonwealth representative; and of the 218 delegates only 15 (excluding the United Kingdom) were from the Commonwealth. This was perhaps somewhat unfortunate in a conference which set out to provide a concerted view of the Commonwealth and West European nations on the practical possibilities of the Strasbourg plan. If it is becoming painfully evident that no drastic changes in American policy are to be expected in order to help Europe out of the mess, it is very natural that the nations that suffer most from present American policy should turn to new ideas. The notion of the Strasbourg Plan, being squared with Gatt, is a good one. But it would be interesting to know what the other members of the Commonwealth think.

Front Populaire?

THE executive committee of the French Socialist party has warned its followers against the "duplicity of Moscow agents" luring the innocent with the deceptive vision of a popular front. The communiqué sounds like a half-repentant afterthought, following the two presidential elections (for the Republic and the National Assembly) in which the Communists backed the Socialist candidate. Many saw then the first signs of a possible reappearance of the popular front and the warning is intended to prevent the idea from spreading among the rank and file.

That French Socialists should think it necessary to warn one another against a common front with the Communists shows how far the "untouchables" of the Chamber have travelled recently. Many deputies are no longer frightened of "contamination." Indeed, the Communists have made a breach in the wall of parliamentary isolation by a skilful attack on two fronts, with their appeal for social improvement and national independence. Other parties may still refuse to join the Communists on a common platform in support of a constructive programme; but against specific policies they find it increasingly difficult to decline their backing. A common "national" front against EDC finds much applause from the right, while a "popular" front against the right-wing Laniel government is not distasteful to many Socialists, and even Radicals.

The pendulum having swung to the right, there is naturally a search for a left-wing alternative, but the traditional solution of a coalition is precluded so long as the Communists remain beyond the parliamentary pale. When the tacit agreement to boycott them was made, the balance of power lay with the centre; but the return of the Gaullists to parliamentary activity has switched it to the right, so throwing Socialists into quasi-permanent opposition.

Unless a government with a progressive social policy palatable to the Socialists can be formed by the centre parties, there will be growing pressure to call in the Communists to restore the balance. With the arguments for and against M. Bidault's German policy dominating people's minds, there is little talk of "Soviet Trojan horses." The Communists are at the threshold of the "system" and it is no longer possible to dismiss with a shrug the idea of a French popular front.

Workers' discontent may impose a certain "unity of action" on deputies elected with working-class backing. The fire of discontent which burst into flames last summer is still smouldering below the surface. The pressure for higher wages is growing stronger. According to official sources real hourly wage-rates have remained almost unchanged since September, 1951, and the postwar tendency towards a quicker rise of lowest income groups had been reversed even earlier. It is estimated that at least 700,000 employees get less than the present minimum guaranteed wages, at a time when all the trade unions backed by the wage commission press for a substantial rise of this minimum. The government replies that the essential thing is to revive production. Last year industrial production fell by four per cent. But the workers have little faith in pledges of the government or the employers and think that they will not get a square deal without fighting for it. The Communists carefully avoid reckless ventures which would put them out of step with other trade unions, and as long as the causes of workers' discontent persist it will be increasingly difficult for left-wing parties to ignore Communist overtures.

A University for the Belgian Congo

BY A CORRESPONDENT

THE new university college at Louvanium near Kisantu in the Belgian Congo opens this month. It is closely associated with the University of Louvain in Belgium, and ultimately its courses and degrees will have the same status as the degrees of metropolitan universities. As there are so few fully developed secondary schools in the Congo, the first year's teaching will be preparatory; it will be general in nature, and will cover matter usually included in school syllabuses in Europe. The college is starting in a small way with some two dozen students and half a dozen lecturers, but is planned to grow much on the lines of the university colleges in Nigeria and the Gold Coast. The intention is to admit white as well as African students, and to have no social or educational colour bar.



This is a very important development in policy for the Belgian Congo. So far government has been "paternalistic"; health and social services have been provided for Africans, on a scale rarely seen in Africa, and the teaching of manual and technical skills has been admirable, but higher education has been retarded. Until recently no Congolese student at all went overseas for university education, and even now there are only a handful in Belgium, compared with the several thousand undergraduates from British West Africa in Europe today. Naturally this policy has been construed as a deliberate attempt to prevent political development. But the opening of the new university is a sign that Belgium realises political change is inevitable.

The home government has denied, and is still denying, political power to the 60,000 Europeans in the Belgian Congo (twice the number that has so much importance in Kenya) on the grounds that this group would only pursue a sectional policy designed to protect white interests. This is resented by the settlers and business men, but the highly successful economic results achieved in the Congo indicate that settler predominance in politics is not an essential condition for economic progress. The Belgians are hoping that this situation can be maintained until there are sufficient educated Africans to play their part in the move towards self government. It will be interesting to see how this experiment succeeds, so different, as it is, from British policy in either East or West Africa.

The Norwegian Economy 1953

BY comparison with the tranquil progress made by its Swedish neighbour, for the Norwegian economy, 1953 was a troubled year. Yet, internally, stable conditions prevailed; the level of prices remained virtually unchanged, and the gross national product advanced steadily, if unspectacularly, by 2.1 per cent. But it was a bad year for Norway's external trade.

At home, industrial production increased by 4 per cent over last year to a figure of 127 (1949=100). The sector of industry serving the home market increased its output but that producing for the export markets suffered a small decline. Most progress was made in the mining, clothing and paper industries. The agricultural sector enjoyed an excellent harvest with output in many instances making new records. The forestry industry, likewise, had an exceptional year, while the shipbuilding yards, in delivering over 112,000 gross tons, set up a new record.

Unemployment, except for a normal seasonal increase in the winter months, recovered from the abnormally high levels in the first quarter, to only .4 per cent of the insured population, in October. The new wage agreements made in the spring brought an average increase of .6 per cent.

According to figures of Norway's national budget recently released, the rate of investment is to be maintained at an extremely high level—nearly 35 per cent of the gross national product. In due course, when these investments bear fruit they will no doubt contribute strongly to Norway's foreign earnings, particularly in dollar markets. But at present in view of Norway's adverse balance of payments, and its inadequate foreign resources, this exceptional

rate of capital formation may prove more than the economy can bear. As it is, there will have to be a sharp increase in private saving, since the State proposes to reduce its own budgetary overall surplus of 113 million kroner in 1952-53, to a deficit of 250 million kroner in the financial year 1953-54. No provision has, however, been made for a reduction of taxation.

In its annual review, the Organisation for European Economic Co-operation (OEEC) suggested that some of the less essential investments might have to be trimmed, and part of the dollar saving investment schemes deferred. In this connection a possible source of retrenchment might be the housing programme which in 1953 achieved a new record of 34,000 houses completed. Foreign loans, if obtained in sufficient amount, would alleviate the difficulties.

Norway's balance of payments is its weak spot at present. During 1953 the overall deficit on goods and services account amounted to 1,025 million kroner, compared with only 36 million kroner in 1952. Exports increased in volume by 4 per cent, and imports by 8 per cent; but the main reason for the considerable change in Norway's foreign

THE NORWEGIAN ECONOMY
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	Period	Unit	1952	1953
Gross National Product	Whole year	Mn. Kroner	22,446	22,648
Industrial production...	" "	1949=100	122	127
Employment	" "	1938=100	113	114
Building—completions	" "	Number	32,600	34,000
Imports—By value	" "	Mn. Kroner	6,234	6,515
By volume	" "	1949=100	122	132
Exports—By value	" "	Mn. Kroner	4,039	3,627
By volume	" "	1949=100	129	134
Terms of Trade: (Ratio of Export to Import prices)	" "	1949=100	103	98
Prices—Wholesale	" "	1949=100	150	150
Retail	" "	1949=100	133	135
Freight rate	Jan.-Nov.	July-Dec. 1947=100	120.3	68.6
Norges Bank:— Total Foreign Assets.	At 31/12/53	Mn. Kroner	778	719
Notes in circulation..	" "	"	2,910	3,122

balance was a weakening of 5 per cent in the terms of trade. Moreover, freight rates, which are important to Norway on account of its large merchant marine (now over six and a half million tons), are still nearly 50 per cent below the average of 1952. Shipping earnings were, as a result, less by 530 million kroner. On the import side the main increase was the item of ships purchased abroad, which increased by 230 million kroner.

Of the total deficit 631.8 million kroner was with countries belonging to the European Payments Union (EPU), as compared with 46.1 million kroner in 1952. The main changes were increased deficits with Western Germany, France and the Netherlands, and a reduced surplus with the United Kingdom. With an accumulated accounting deficit of 106.5 million EPU units of account, Norway is already in the second *tranche* of settlement, and thus must pay 30 per cent in gold. On the other hand, after taking into account dollar aid, it had a small balance on dollar account. Like many other Western European countries it is exploring the possibilities of east-west trade and has recently signed a £10 million deal with the Soviet Union.

The return of the Labour party to power in the election last October ensures the continuation of a policy of consolidating the welfare state; but the distressing condition

of Norway's foreign trade may make some modifications necessary. Like Sweden, the authorities are still trying to adapt fiscal and monetary controls to serve their broad social and economic policies. Should there be a recession in world trade it remains to be seen whether these would be adequate.

Berlin in Brief

JANUARY 25th. M. Bidault and Mr Eden opened by urging that the four foreign ministers should concentrate on the problems of Germany and Austria. M. Bidault said that the solution of Asian problems would not be helped by linking them artificially with European questions; he did not believe in "the system of reaching agreement by global exchanges." Both ministers insisted on free elections as the first step to German reunification. Mr Molotov then set forth Soviet policy and its familiar objections to western policy and proposed the following agenda for the conference:

- (1) Methods of reducing international tension and convening of a five-power meeting
- (2) Germany and the problem of ensuring European security
- (3) The Austrian treaty.

January 26th. In his opening speech Mr Dulles agreed to accept this agenda "for the sake of getting on with our work." But he insisted that the United States, although not refusing to deal with Peking "as occasion requires," would not join in a five-power conference with Communist China "for the purpose of dealing generally with the peace of the world." At the end of a long speech Mr Molotov proposed that a five-power meeting of foreign ministers should be convened in May-June, 1954, "to consider urgent measures for reducing tension in international relations." M. Bidault and Mr Eden also accepted the Soviet agenda.

January 27th. All three western foreign ministers opposed Mr Molotov's proposal for a five-power conference. Mr Dulles said that it was useless to talk about another Asian meeting so long as the Chinese held up the political conference on Korea. The proposal for a five-power conference, he said, was merely a device to get Communist China a position in world councils that it has not earned. He pointed out—as did Mr Eden—that there was no evidence that Peking was willing to collaborate on a Korean or Indo-Chinese settlement. Mr Molotov persisted in advocating a five-power conference to discuss three groups of questions: (1) Military questions, especially disarmament; (2) political questions, especially China; and (3) economic questions, including trade. The western ministers, he said, had dealt only with political questions and ignored the 800 millions in the "peace-loving" countries who formed a vast and important market.

January 28th. The western ministers again argued against the Soviet proposal for a five-power conference. M. Bidault reaffirmed France's willingness to make peace in Indo-China. He said the Chinese Communists must convince France of their peaceful intentions and did not need a five-power conference to do that. Mr Dulles argued

that the United Nations could carry out all the tasks proposed for this five-power conference, and that the latter would inevitably turn into a permanent body "with a vast network of sub-committees and experts" which would in effect replace the United Nations. Mr Dulles and Mr Eden suggested passing on to items 2 and 3 of the agenda. It was eventually conceded by the Western Ministers that they should take up with Mr Molotov the question of a five-power conference in restricted session the following week. When it looked as if the meeting was moving on to Germany, Mr Molotov caused surprise by suddenly producing a new proposal for a world disarmament conference to be convened.

January 29th. Mr Molotov insisted on a discussion of his proposal for a disarmament conference. M. Bidault suggested the four governments should together help the present UN Disarmament Commission to reach agreement. Then a general conference on disarmament could be summoned in accordance with the General Assembly resolution of January, 1952. To his suggestion that they should postpone consideration of his and the Soviet proposals until they met in restricted session, Mr Molotov agreed.

The ministers then turned to consideration of the German problem. Mr Molotov proposed the admission of representatives from western and eastern Germany. The western ministers refused, and no decision was reached. But Mr Eden was able to put forward a detailed plan to bring about the reunification of Germany in five stages:—

- (1) Free and secret elections throughout Germany according to an electoral law drawn up by the four powers, and under the supervision of a commission composed of representatives of the four occupying powers and perhaps of neutral representatives as well.
- (2) The convocation of a National Assembly.
- (3) The drafting of a constitution by the Assembly. At the same time the Assembly could set up some all-German authority which could assist in drafting the constitution, prepare the nucleus of an administrative machine, and open preliminary negotiations for a peace treaty.
- (4) The adoption of the constitution and the formation of an all-German Government, which would assume the functions of the existing governments in western and eastern Germany, and would proceed to negotiate a peace treaty.

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Mr Eden emphasised that the new all-German Government must be free to assume or reject such of the international rights and obligations of the Federal Republic and the Soviet Zone as it considered necessary and to conclude other international agreements.

January 30th. Mr Molotov again proposed that German representatives should attend the conference; but finally agreed to give way to Western objections. The meeting then discussed Mr Eden's unification plan. Mr Dulles and M. Bidault warmly welcomed it, while indicating that modifications and improvements might be made. Mr Molotov made surprisingly mild preliminary comments. After the meeting Mr Dulles and Mr Molotov had a short private talk on the pooling of atomic resources. Comment from Berlin became optimistic.

After the Week-End

February 1st. After M. Bidault and Mr Eden had both spoken in support of the British plan Mr Molotov attacked the EDC and American bases, appealed for Franco-Soviet co-operation against German militarism, and proposed that representatives from east and west Germany should be invited to state their views on particular problems. Finally, he tabled proposals for a German peace treaty modelled on the Soviet draft treaty of March, 1952, with three amendments:—

- (1) No political or military obligations contained in treaties concluded by the Federal Government or the east German regime should be imposed on the government of a united Germany.
- (2) Germany should be obliged to pay only its commercial debts to the four powers.
- (3) Germany's armed forces should be limited to those needed for internal security, local frontier defence and anti-aircraft defence.

The treaty would also provide for withdrawal of all occupation forces within one year from the enforcement of the treaty, and stipulates that Germany shall not undertake "to enter into any coalition or military alliance directly against any country which took part in the war with Germany." Mr Molotov also proposed that deputies of the four foreign ministers should prepare a draft peace treaty within three months; that they should be assisted by representatives of both German governments; and that a peace conference should be convened within six months. He referred only briefly to Western insistence on all-German elections and made no reference to Mr Eden's proposals.

February 2nd. The three Western ministers in turn expressed their disappointment at Mr Molotov's polemic of the previous day, rebutted his charges against them, and urged him to consider seriously the British proposals for German unification.

February 3rd. The Western ministers made prolonged and fruitless efforts to persuade Mr Molotov that under the British plan, a united Germany would in fact be free to assume or reject the obligations of the EDC Treaty. Mr Molotov failed to discuss free German elections; instead he proposed that a referendum should be held throughout Germany to find out whether the people wanted a peace treaty or the Bonn and EDC Treaties.



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THE BUSINESS WORLD

Trade with Japan

WHEN trade with Japan is under discussion all kinds of emotions are bound to be unleashed. They are a compound of wartime hatreds and memories of prewar Japanese dumping, of fabulously low export prices quoted on the strength of allegedly sweated and underpaid labour. These emotions have certainly been stirred by the trade and payments agreement which was signed by the United Kingdom and Japan last week. They must not be allowed to get in the way of the substance of the agreement, of the facts contained in it, and of the reasonable consequences, as distinct from the hysteria, that may develop from it.

The background to the agreement is the fact that for a year and a half Japan has run a serious deficit in its trade with the sterling area. Trade between the two is conducted in sterling by virtue of payments agreements, the first of which was signed in August, 1951. Before that date, payments to and from Japan were made by sterling countries on the basis of agreements with the occupation authority and settled in dollars. Under the sterling payments agreements, all payments between Japan and the sterling area are made in sterling and the two sides confer if the account gets seriously out of balance. Japan, however, enjoys no automatic overdraft rights or permitted "swings" in its favour; the provision for consultation is a one-sided affair which comes into effect if and when Japan holds more sterling than it deems convenient or wise. If the pendulum swings in the other direction, Japan has to replenish its denuded working balances in London, by borrowing in the open London market and by forward exchange operations.

During the first full year of this sterling payments agreement, the tide was running strongly in favour of Japan. During the sterling area's spending spree which followed the post-Korean inflation of primary com-

modity prices, heavy sterling purchases were made in Japan. By the middle of 1952, twelve months after the new payments agreement had come into effect, Japan had built up the impressive balance of £130 million in London and was insistent on "consultation."

The remedies, however, had already been discussed at the Commonwealth economic conference in January, 1952, which heralded the austerity campaign and import cuts. Japan felt the impact of these decisions with exceptional severity. Japanese exports were considerably curtailed at a time when Japan's imports of primary commodities, and particularly of wool, were being stepped up as its industry recovered. Japan's sterling balances were soon crushed into insignificance. Early in 1953 the Japanese were complaining that their working balances in London had been reduced to an inadequate level, and during 1953 Japan ran a deficit of about £100 million in its current payments with the sterling area. This deficit was the combined result, first, of a continuing inflation of costs in Japan which made its goods difficult to sell abroad and, secondly, of restrictions on Japanese sales to sterling markets through quotas and discriminatory import licensing—a restrictive system no longer "justified" on the grounds that Japan enjoyed a large surplus with the sterling area.

Japan's gap in its trade with the sterling area was filled last year by stop-gap measures. The running down of working balances took part of the impact; in addition, Japan raised about £30 million by dollar swaps—that is, purchases of spot sterling against dollars balanced by forward sales of sterling; Japan also covered its shortage of sterling by buying £44 million of sterling from the International Monetary Fund. That was the unbalanced and precariously supported position that underlay the negotiations for the extension of the trade and payments agreement up to the end

of 1954. An attempt had to be made to achieve a better balance of trade and payments between the two areas. The broad alternatives were to achieve balance by cutting the longer side of the account down to that of the smaller (by curtailing Japanese imports of colonial raw materials and British manufactures), or by elongating the shorter side (by encouraging more Japanese exports to sterling countries). The expansionist solution was chosen and plans were laid for achieving over 1954 an approximately balanced flow of trade and payments of about £210 million each way.

The achievement of this objective implies approximately maintaining the level of sterling area exports to Japan, but increasing by nearly £100 million the imports which the sterling area will be prepared to take from Japan. The Japanese Government have undertaken to provide sterling sufficient to maintain United Kingdom exports to Japan in 1954 at the current level. They have, in particular agreed to provide sterling quotas to a value of £2 million for the import of wool and worsted yarns and manufactures for which no provision had been made over the past year. There will also be a small quota for British motor cycles, another new line of export. Furthermore, Japan has given guarantees of sterling payment for sales of sterling oil and earnings of British films in Japan.

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On the other side of the account the changes are inevitably more dramatic. The most important of these is the notification by the United Kingdom to Colonial Governments that they may import from Japan in 1954 "up to their estimated requirements for their own consumption and for the entrepot trade." It is in these markets that the export industries in Britain, and the textile industry in particular, may feel the draught of competition for they have hitherto been preserved for British imports by the quantitative restrictions of import licensing. But this prospect hardly warrants the shouts of angry dismay that have come this week from Lancashire. Is it seriously contended—in the home of free trade—that the Malays and the Africans whose labour produces so many of the dollars with which the British people indulge their taste for both essentials and luxuries should be thanked and rewarded for their efforts by an indefinite continuance of the embargoes which compel them to buy their cloth in Lancashire whether they like to or not, and exclude the competition of, perhaps, cheaper manufactures from Japan? If so, it would be difficult to conceive of a shorter cut to losing the colonial empire.

The United Kingdom Government are also establishing import quotas for a number of traditional Japanese exports to this country, but the effect of these on the total volume of trade between Japan and the sterling area is likely to be small. An import quota of £3,000,000 has been established for Japanese cotton and rayon grey-cloth, all of which is to be re-exported after processing. This is no concession to Japan and

involves no hardship to the British textile industry. Many British dyers and makers-up have recently come to depend on Japanese grey-cloth for supplying the colonial markets and the quota which has been established for 1954 is, in fact, appreciably smaller than the amount of grey-cloth imported from Japan for processing and re-exporting during the past year. The quotas for imports from Japan destined for consumption in this country are considerably smaller than the pre-war imports of these particular goods, even without any allowance for higher prices. The most important (and those which have caused the most vocal resentment in the industries that consider themselves threatened) are: apparel—£300,000, as against imports of £778,000 in 1938; cotton and rayon piece goods—£300,000, as against £401,000 in 1938; pottery—£50,000, as against £151,000 in 1938. The other quotas established for 1954 are: toys £150,000, electric lamps and bulbs £50,000, buttons and studs £80,000, paper manufactures £50,000, brooms and brushes £50,000, lacquer ware and ivory fancy goods £40,000. "Made in Japan" will again be seen in British shops, but the quotas involve no risk of a flood.

Whether the agreement signed at the end of last week will, in fact, achieve the balance which it contemplates between Japan and the sterling area remains uncertain. The quotas which have been established for Japanese goods are permissible ceilings, not guarantees of imports. Japan's ability to sell up to the limits authorised in the agreement cannot be taken for granted, given the serious inflation of costs and prices from which it is at present suffering. The hoped-for bilateral balance in payments between Japan and the sterling area must also depend on the policy of dominions such as Australia and South Africa, whose intentions could not be anticipated or specified in negotiations taking place in London.

In any case, it would be unwise to expect an early restoration of equilibrium in a trade which has become so seriously unbalanced. In the early months of 1954, therefore, the United Kingdom Government have agreed that the Japanese government may seek temporary limited accommodation in London through normal commercial channels. This probably implies a prolongation of the dollar swaps through which Japan has been covering a part of its sterling deficit in recent months. It is, however, to be hoped that, after living with a steadily hardening pound for nearly two years, the Japanese authorities will abandon some of their earlier illusions about the relative desirability of the pound and the dollar. Japan's concern for maintaining a substantial dollar reserve can be understood, for the Japanese balance of payments is no longer receiving the full tide of support which came its way when hostilities in Korea were at their height. Nevertheless, the Japanese should now be prepared to disgorge some of their dollars, of which they have a reasonably adequate supply. It is not by seeking exact bilateral balance that they will maximise their trade with the sterling area. It is high time they called in the currency of the New World to restore their deficit with the old.

Next Phase in Rubber

THIS year the natural rubber industry must work its own passage. The American strategic purchases, which until now have taken the bulk of the surplus off the market, are nearly completed; the Randall Commission's objections to commodity agreements have killed any lingering hopes of stabilising the price by an international buffer stock scheme. Yet the outlook for rubber in 1954 is reasonably hopeful. Natural rubber has not entered this year under the weight of a gross surplus of nearly 200,000 tons as the Rubber Study Group last May feared that it might; that forecast was revised in October to 169,000 tons, and it was still too high. Preliminary estimates show that world production of natural rubber fell slightly by 68,000 tons to 1,717,000 tons in 1953, while consumption rose by 115,000 tons to 1,565,000 tons; hence the apparent surplus turned out to be little more than 150,000 tons. Of this, American strategic purchases absorbed about 70,000 tons, and British purchases about 20,000 tons. The small remainder of some 60,000 tons seems to be an over-estimate, because consumers' stocks rose by only about 42,000 tons in 1953.

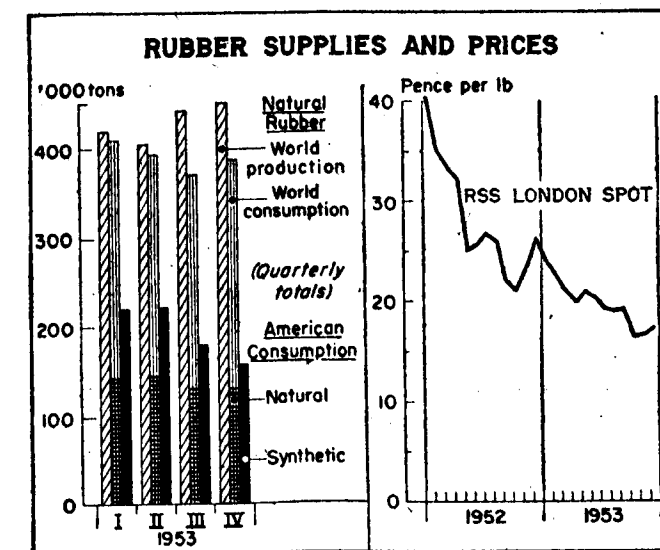
This unexpectedly favourable outturn, with supply and demand virtually balanced, appeared too late to check last year's break in prices. The American government's decision at the end of 1952 to bring its high-cost synthetic plants back into use started a further collapse, and the threat of surplus did the rest. Between December, 1952, and October, 1953, the spot price steadily dropped from 28½d. for No. 1 sheet to 16d. a lb.; since then the price has hovered rather uncertainly between 16d. and 18d. a lb. But the drop in prices appears to have minimised the probable surplus, because the largest consumer, the United States, found it profitable to increase the proportion of natural rubber in its total consumption. In the first half of 1953, the proportion of natural rubber in the total consumption of the United States was 39.6 per cent; by December natural rubber had risen gradually to 46 per cent, although total consumption itself had been falling in the second half of the year. For 1953 as a whole, American consumption of natural rubber rose by 100,000 tons to 553,000 tons, and this accounted for almost the whole of the increase in world consumption.

A survey of the probable supply and demand for natural rubber in 1954, highly tentative though it must be, suggests that the balance may be more favourable than last year. American rubber manufacturers expect only a slight fall in their total consumption from the record of 1,334,000 tons in 1953 to some 1,300,000 tons; even the more cautious estimate of 1,260,000 tons does not herald a disaster. In the next few months their consumption of natural rubber is expected to rise to 50 per cent of

the total, and to stabilise at about that figure. This suggests that American consumption of natural rubber in 1954 may rise to about 600,000 tons. If consumption outside the United States shows little change from the total of 1,012,000 tons for last year, world consumption of natural rubber may rise by some 35,000 tons to 1,600,000 tons. Production is expected to shrink to about 1,680,000 tons, leaving a surplus of the order of 80,000 tons. Allowing for a seasonal fall in production in the next few months it is even possible that the surplus will not appear until the autumn.

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This bold crystal-gazing rests on two main assumptions. The basic assumption is that the recession in the United States is no more than mild—which at least is not yet disproved. The second is that the price of natural rubber does not rise above the price of synthetic, and thereby discourage American consumption of natural rubber. Other uncertainties are the effect of Indonesia's recent export incentives on shipments of



smallholders' rubber, and how long the present lull in Russian demand will last. On the other hand, it is probable that the American stockpile will take a final 30,000 tons of natural rubber this year, and that Britain may take another 20,000 tons or so. And if confidence can return to the rubber market, an appreciable quantity could easily be absorbed into dealers' stocks.

A return of confidence—which is an essential prerequisite of stable conditions in the rubber market—seems justified. World consumption of rubber (of all types) has doubled every decade, and there seems no technical reason why such expansion should not continue. How much of this prospective future increase will go to natural, and how

much to synthetic, will depend mainly on price. Ultimately the price of synthetic rubber must set a ceiling for the price at which natural will move freely into consumption. But at the present cost of a synthetic plant—which is put at nearly £500 per ton of annual output—natural rubber should have nothing to fear from synthetic, provided that it remains competitive. This does not mean that the price of natural must stay at its current level. American GR-S synthetic now sells at 23 cents a lb., and the oil-extended rubbers, which involve the user in higher manufacturing costs, at 21 cents a lb. No. 3 sheet, which is considered equivalent to these synthetics, is now quoted at 19½ cents a lb., landed New York, and could therefore rise by a cent or two and still be competitive. And in 1955, when the American government's synthetic plants should have been sold to private operators, the price of synthetic will almost certainly have to be raised.

Whether a return of confidence to the rubber share

which command a premium over sheet rubber. The general public is therefore taking little interest in rubber shares either as buyers or sellers. Among the few larger investors who consider rubber suitable for their portfolios there is a little buying, but it represents only a fraction of the total funds that would find their way into rubber shares if the way seemed clear.

The problem is to distinguish those companies which seem likely to do well in a competitive market. Past profits and dividends help little for they are based on prices and costs wholly different from those now current. Again, accounts ending on different dates can reflect widely different rubber prices. For the year 1952 the London average price of No. 1 sheet was 2s. 4 11/32d. per lb. Reports are now coming from companies which ended their years in June and September last year, covering average prices of 1s. 11 3/32d. The current price is around 1s. 5d.

For that reason profits and dividends have been excluded from the accompanying analysis of a sample, taken for the purpose of illustration only, of Malayan companies in the good and medium ranges.

High yields per acre and low capitalisation per acre at the market price of the shares are important. Moreover, those companies that were mean to their shareholders in the immediate post-war years are now often strong in

RUBBER COMPANY PRODUCTIVITY AND GEARING

Ordinary Shares	Last Accounts Dated	Market Price	Planted Area	of which Mature Buds-grafts	Maturing Buds-grafts	Market Equity Capitalisation Per Acre	Working Capital Per Acre	Average Yield Per Mature Acre	Latest Cost Per lb.	Equivalent Earnings for each lb. Profit
Badenoch £1	Dec. 31, 1952	15.6	5,491	4	2	37	33	536	15.2d.	4.0
Batu Caves £1	Dec. 31, 1952	15	5,572	44	25	39	27	685	16.8d.	4.2
Brooklands Selangor 2/-	June 30, 1953	2.44	5,586	55	18	42	19	480	16.0d.	4.5
Central Perak 2/-	Dec. 31, 1952	0.74	8,816	9	26	15	1	380	19.5d.	2.8
Chembong Malay 2/-	Mar. 31, 1953	0.9	3,633	41	6	36	28	664	16.3d.	2.7
Craigielea 2/-	Mar. 31, 1953	0.6	5,834	...	...	15	13	341	16.3d.	2.0
Golden Hope £1	Feb. 28, 1953	20	16,947	26	10	30	20	504	17.2d.	4.9
Highlands & Lowlands £1	Dec. 31, 1952	18	9,015	34	15	34	25	493	17.9d.	3.3
Kanunung (Perak) 2/-	June 30, 1953	2.74	4,547	46	30	58	48	724	15.0d.	4.7
Kapar Para 2/-	Dec. 31, 1952	2	3,549	34	41	42	14	774	13.8d.	4.5
K.M.S. (Malay States) £1	June 30, 1953	21.9	3,772	19	20	49	38	643	12.4d.	4.7
London Asiatic 2/-	Dec. 31, 1952	2/-	34,364	...	...	34	18	635	20.8d.	5.7
Malacca £1	Dec. 31, 1952	12.5	20,909	28	28	24	16	596	19.3d.	4.0
Malakoff 10/-	Dec. 31, 1952	6.9	5,828	13	24	29	23	556	14.7d.	4.1
Merlimau Pegoh 2/-	Mar. 31, 1953	1	25,425	...	...	15	22	350	21.2d.	4.0
Port Dickson Lukut 2/-	Mar. 31, 1953	1.74	4,544	38	29	44	27	698	17.4d.	3.9
Praang Besar 2/-	Mar. 31, 1953	5.9	3,549	65	35	60	19	745	18.7d.	8.1
Seaheld £1	Dec. 31, 1952	30.74	4,831	58	35	63	20	922	13.6d.	6.0
Semenyih 2/-	Apr. 30, 1953	1.44	1,615	20	18	20	7	647	15.5d.	7.5
Seremban 2/-	Dec. 31, 1952	0.101	3,362	35	19	26	18	476	16.5d.	2.7
Sogomana 2/-	June 30, 1953	7.6	2,552	41	17	147	41	907	9.6d.	7.9
United Sula Betong £1	Dec. 31, 1952	38.6	35,854	43	23	40	28	650	18.4d.	8.3

market is equally justified is less clear. Investors have often found that they could do best in rubber shares by buying the rubbish at an early stage in the return of interest to this market. The 2s. share standing at a few pence in a company which is not making a profit but might do so if the price rose often yields the biggest proportionate gain. But this is not an occasion where the whole industry is likely to swing into a period of readily made profits, and therefore it is not an occasion for raking over the rubbish heap. No informed opinion would suggest that more than a third of the British-owned Malayan estates are yet making appreciable profits, and though there are welcome signs of falling production costs, there are also fears that the Federation Government may have to increase taxation.

The profitable sector of the Malayan industry may broaden, but the companies which comprise it seem likely still to be those with the high yields per acre or with speciality products, such as latex and sole crêpe

working capital and have achieved substantial replanting of high yielding trees.

Malayan export duty of 5 per cent is normally included in the estate cost. It is dangerous to press deduction from the figures too far. For example, the London price of No. 1 sheet has been used, but no company is fortunate enough to produce its whole output in that quality. Moreover, when the output of rubber is falling, the yield on the equity corresponding to a rise or fall of a penny per lb. will also shrink. Nevertheless, that calculation remains a useful guide for comparing one company with another—more useful, perhaps, if 1954 fulfils some part of its promise of greater stability than in the hectic boom and unchecked falls of the past four years. But it would still require a brave man to cling confidently to the belief that the upturn in rubber is going on. Rubber may be climbing the bottom of the cellar steps; it is not rushing up the ladder through the roof.

Business Notes

Productivity Regained

"LABOUR productivity" throughout British industry—as crudely measured by the relation between the official production index and an index of employment in industry—appears to have risen rather less than the volume of production in 1953, after falling, roughly in line with output, in 1952. Employment in 1952 averaged nearly the same as in 1951 (though it must have concealed some under-employment), and output and productivity both fell by 2-3 per cent; but last year employment in industry rose slightly, so that the 5-6 per cent increase in output was achieved with a rise of about 5 per cent in labour productivity. In the manufacturing industries the decline and recovery were rather more marked, both for productivity and production. In 1952, manufacturing output fell by 4 per cent and productivity by about 3½ per cent; in 1953, output rose by just under 6 per cent and productivity by about 5 per cent. The 1953 figures, in all these instances, are roughly back to the 1950-51 trend.

With this resumption of growth in industrial output and productivity—here measured against labour, but perhaps representing mainly, over the last two years, the degree to which a slowly increasing total industrial capacity was employed—comparisons over a longer period regain some

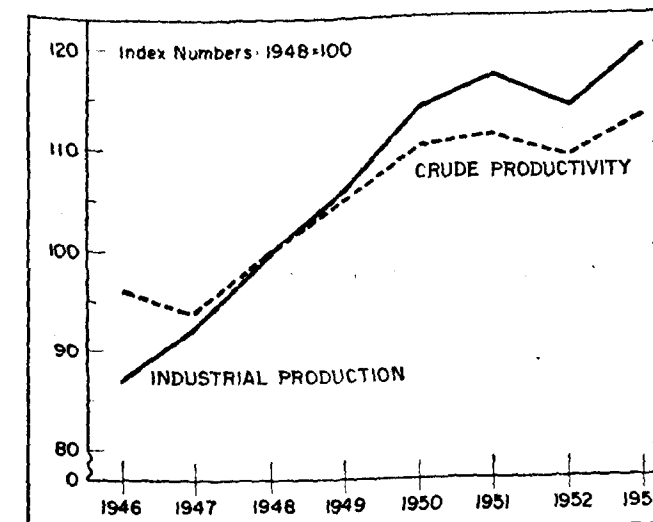
head of 3 per cent between 1935-38 and 1946, and another estimate suggests a fall of nearly 5 per cent.

Estimates based upon calculations of national income, on the other hand, suggest a rise in "real national product" of about 12 per cent between 1938 and 1946, while the working population rose by only about 4 per cent in the same period; and though this rise covers other sectors of the economy than industry, the divergence is not easy to explain away. The old index of production, based upon 1946 and upon a less complete coverage than the existing index, could be used to give two different answers, according to alternative weighting; according to one, industrial output in 1946 was more than 2 per cent higher than in 1938, and according to the other 1946 output was 4 per cent lower. These discrepancies may have their uses for opposing political propagandists—or indeed for the same politician on different occasions—but otherwise they offer a salutary reminder of the strictly limited significance of such global comparisons.

Indecision Over Rail Freights

THE 10 per cent increase in railway freight charges for which the Transport Commission applied some weeks ago did not come into effect last Monday, as had been proposed, because the Government had not made up its mind. The Transport Tribunal, acting as a consultative committee, had passed its report on the application to the Minister of Transport by the middle of last week. But by the time that *The Economist* went to press this week, there had still been no indication of what the Cabinet had decided—and the silence was encouraging speculation about that most dangerous expedient, a railway subsidy.

The railwaymen, meanwhile, had wrung the last penny out of the settlement that the Government forced upon the Transport Commission in December. With "extreme disappointment" at not being able to squeeze any more, the National Union of Railwaymen this week accepted the Commission's final offer of increases for a wide range of railway workers, which will cost in all some £12½ million a year—about £6½ million more than the rise in wages allowed for in the application for higher freight charges. The total of increased costs to the Commission, as set out in support of its application, would now be in the region of £30 million a year. The Commission and the union have still to begin their discussions upon the railway wages structure and the possibilities of increasing efficiency on the railways; it is probable that here, too, the union probably hopes to exact a price for any concessions it has to make.

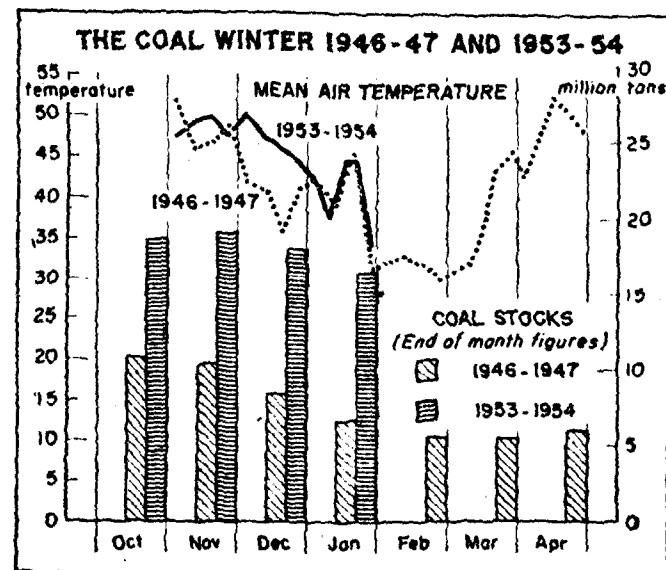


significance. In 1953 total industrial output appears to have been about 38 per cent greater than in 1946 (the official index, based on 1948, gives an average of 120 for the year), and productivity may have been about 18 per cent higher. But the calculations by which postwar output might be linked with prewar output remain conflicting. The estimates of Dr Rostow would suggest a fall in industrial output per

Fuel for a Cold Spell

LATE last year, while the weather was saving the National Coal Board's face by remaining providentially mild, a comfortably ghoulish remark became fashionable in Hobart House. It was: "Remember 1946-47? This is just the way that winter began. . . ." A fortnight ago, only about a week late by the standards of that winter of fuel crisis, the cold spell arrived.

As the accompanying chart shows, the temperature pattern of the two winters does show some resemblance; but so far, 1953-54 seems to have had a slight margin of warmth—and a very substantial margin of coal. November was unseasonably warm in both winters; last December was much warmer than December, 1946; and January much the same in both years, with the break in temperature coming in the fourth week of 1947 and the fifth week of 1954. The Ministry of Fuel and Power has recently revised the reporting basis upon which it records mean weekly



temperatures, but the figures in the chart are on a comparable basis. The country began this winter with distributed coal stocks 70 per cent larger than in 1946, and has drawn on those stocks proportionately much less; the latest stock figure, 16,715,000 tons on January 23rd, represented about two and a half times as much coal as consumers held at the same time in 1947.

There is, of course, an irreducible minimum of distributed stocks—which was perhaps some 7 million tons in 1947 and may be not much less than 10 million tons today—below which these seem of little avail in preventing serious local coal shortages. Inland consumption, too, is probably 10 per cent higher than it was in winter 1946-47. But so far, at least, the fuel industries seem fairly healthily placed to withstand sharper weather than Britain has had this year. No electricity load-shedding has yet been necessary, and industry has no load-spreading arrangements in force. The power stations as a whole have six weeks' coal in hand, and the temporary hold-up of colliers on the North-East Coast is not expected to cause any particular difficulty for those stations that normally receive coastwise deliveries. The gas industry stocks amount to more than

four weeks' consumption, and other industrial consumers in general—except the coke ovens—have larger stocks than at this time last year. So far, weather has not significantly held up coal movement by rail, though there has been some anxiety over this in South Wales and Northumberland. Nor has tonnage been lost in the mines through lack of wagons to take the coal, or through the freezing up of the washeries. The Coal Board's anxieties, for the moment, continue to be directed towards next winter. It no longer possesses the cushion of opencast stocks that served it so usefully last autumn; and some of its most productive areas, such as Staffordshire, Warwickshire, and South Yorkshire are becoming seriously short of manpower.

Marketing Persian Oil

REPRESENTATIVES of eight international oil companies have been meeting in London this week to discuss the arrangements that would be needed if Persian oil is again to find its way into the world oil market. The participants include five American companies which last week were granted a waiver by the Department of Justice against the jeopardy of proceedings under the American Anti-Trust laws—an immunity which was a *sine qua non* of their joining in a marketing scheme, though it seems to have some strings to it. These companies are: Standard Oil of New Jersey; Standard Oil of California; Texas; Socony Vacuum; and Gulf Oil. The other participants are Anglo-Iranian, Compagnie Française des Pétroles and Royal Dutch-Shell.

Anglo-Iranian's statement on the conference is of interest, not least for its guarded terms:

In pursuance of the discussions with the Persian Government on the subject of oil, and in view of the international difficulties in the way of getting Persian oil back into world markets, the Anglo-Iranian Oil Company have resumed their talks with other oil companies able to make a contribution to the solution of this problem.

This statements stops well short of suggesting a marketing consortium to handle Persian oil, but it is difficult to see what other construction could be put on a "contribution to the solution of this problem" by the joint efforts of seven groups together with Anglo-Iranian. Indeed, it is clear from reports from Teheran that discussions with the Iranian authorities must be proceeding on the assumption of a consortium. The discussions in London, which may well continue for some days, are at what is called the "working level"—which means that they are concerned with the analysis of technical marketing problems and with suggesting a solution, if a solution is possible and if it is required.

In this complicated exercise, there has been a meeting of minds, but there is much work to do before it could be given definite and legal form. But a posture of technical readiness to meet these marketing problems is obviously a sensible act of preparation, in the hope that Iran may eventually agree on terms for the restarting of production. Two parallel sets of negotiations, in London and Teheran, are concerned with different things—marketing on the one hand and the restoration of plant and the start of production on the other hand. The second set of problems is no less important, and may be even more diffi-

cult, than the first. It involves, in particular, agreement on the proportion of Iranian output for which the Anglo-Iranian Oil Company is to make itself responsible. The company has seemed prepared to handle 50 per cent, though it would assert that it could handle more. But there are suggestions from Teheran that American companies should handle 50 per cent, Anglo-Iranian 45 per cent and Iran itself 5 per cent. Both in marketing and in production the compromise between what is tolerable to Anglo-Iranian (still uncompensated for the seizure of its properties) and what the Iranian authorities may be disposed to accept may be far from easy to reach.

A Sponge for Savings

SHARE markets remain strong. On Thursday the *Financial Times* ordinary share index rose by 1.0 to 138.2, a rise in a week of 2.9. The index of Gold Developers rose by 0.24 to the highest point yet reached of 106.29. But it has also recently become clear that a long queue of would-be borrowers is pressing forward to stake claims on the supply of funds becoming available for investment. The nationalised industries, the Dominions and the Colonies are waiting; should investors show signs of having large funds ready for industrial investment, Sir John Morison would no doubt be glad to step forward with a steel share offer, but the ordinary run of new industrial financing is substantial in its own right.

The Dunlop Rubber Company asks for £7 million; New Broken Hill Consolidated requires a mere £1 million to equip its lead-zinc mine for a substantial increase in production. It will raise the money by a public issue of that amount of 5½ per cent unsecured loan stock at par, half the issue bearing conversion rights into ordinary shares at 25s. per share (against the present price of 21s. 6d.). Rickmansworth and Uxbridge Valley Water Company and Newcastle and Gateshead Water Company are each opening tenders for £250,000 of new stock. Behind these issues already announced a substantial number of plans for both large and small issues are in active preparation. This prospective mopping up of fresh funds must set some limit to the continued capacity of the market to rise.

One operation is not in this class. By issuing £2,200,000 4½ per cent debenture stock (1970/85) at 99 10s. per cent W. H. Smith (Holdings) are engaging in a largely self-balancing operation which will call for no fresh money. Of the total, approximately £1,900,000 will be offered in exchange to holders of the 4½ per cent "A" and 4½ per cent "B" Debenture stocks of the subsidiary company Hambledon Estates. Those two stocks are to be paid off at £112 per cent as stage two of the liquidation of the estate company, and as it is also desired to repay about £300,000 of bank loans, holders will have the opportunity of applying for extra stock. Already holders of over 90 per cent of the 7 per cent Preference of Hambledon Estates have accepted conversion into 7 per cent Preference stock of W. H. Smith (Holdings) so the estate company can now go ahead with its arrangements to disappear. Its appearance in 1929 and present liquidation illustrate two phases in the pressure of death duties on the family business.

Slackening Gold Flow?

THE sterling area was still in dollar surplus in January; but the portents for the coming months are not good. The gold and dollar reserves rose by \$25 million in the month, including a further \$15 million from defence aid. If allowance is made for the \$4 million paid in gold to the European Payments Union (on account of the December deficit) it will be seen that the surplus on other dollar payments, including North America, was \$14 million. This is fully \$100 million less than the large surplus shown in December, and is, indeed, the smallest since last September. A considerable part—perhaps \$50 million—of the December surplus was attributable to the purchases of Soviet gold; but the surplus on commercial account then was surpris-

TREND OF DOLLAR SURPLUS
(\$ million)

	Net surplus or deficit	EPU settlement	Residual gold and dollar balance	American aid	Change in reserves	Reserves at end of period
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*
Total, 1953....	+ 546	+ 113	+ 433	+ 307	+ 672*	2,158*
Jan., 1954....	+ 10	- 4	+ 14	+ 15	+ 25	2,543

* 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.

ingly good. For this reason it would perhaps be unwise to make too much of the sharp deterioration in January; the figures for any single month may be considerably distorted by special factors. Nevertheless, it is something of a disappointment that December's improvement should have been reversed so soon despite the continued firmness of prices of sterling commodities.

Meanwhile, the balance with Europe appears to be steadily deteriorating. The sterling area had a surplus of £4.7 million with EPU in January (which will fall to be paid 50-50 in gold and in reduction of debt in the middle of this month); but this does not reflect a credit balance on trading account. Over £12½ million was paid through EPU by the Netherlands in the middle of last month to cover the next six annual service instalments on loans totalling £45 million made by Britain to Holland in the war. These loans were to be paid off in twenty annual instalments, starting in 1948; but this year the Dutch Government has apparently decided to cover its commit-

ments until 1960 at one stroke. The payment thus masks a deficit with EPU on commercial account of over £8 million. This disturbing trend suggests that the further liberalisations of imports from the OEEC area by both Britain and Australia in the autumn of last year are now exerting their full effect—and that exports are not rising correspondingly (partly no doubt because France still lags so far behind in its liberalisation programme). If this trend were to continue into the summer—when tourist expenditure and imports of fruit and vegetables are seasonally high—the deficit with EPU might again prove the most embarrassing aspect of the sterling area's external accounts.

Dunlop's New Money

A WEEK ago, shareholders in the Dunlop Rubber Company rubber-stamped their directors' proposals to reconstruct the company's capital and to make a fresh issue of preference shares. Only one discordant voice was raised, and this was in criticism of the decision to issue preference rather than ordinary shares. No shareholder exercised his undoubted right to inquire on what exactly the new money was to be spent. That Mr Beharrell, who presided, had expected close cross-examination was obvious from his warning that he would disclose only what was in the "interests" of the company to divulge. Shareholders never tested his reticence and if they know less about the company's programme than they might, that is their own fault.

Dunlop's directors have decided not to come to the market with a public offer. Instead, the 7 million new 5½ per cent preference shares are being offered, though not as "rights," to ordinary and preference shareholders and debenture holders in the Dunlop Rubber company. At the issue price of 21s. these £1 preference shares (repayable in a liquidation at 22s.) offer a yield of £5 4s. 9d. per cent, which is well above the current yields of £4 5s. 4d. on Fisher and Ludlow 4½ per cent preference shares and £4 18s. 3d. on ICI 7 per cent preference stock. The underwriters would probably be well satisfied to take the stock into their portfolio if Dunlop's stockholders failed to fill the subscription lists. The underwriting commission of 5½d. gross is an added attraction. The price of the existing preference stock (into which the original stocks were converted) is pinned at the moment to the issue price of 21s. The dividend requirements of all the preference capital were covered more than six times by profits in 1952 and stockholders will not fail to note that the directors believe that trading profits in 1953 have been higher than in 1952, and there is a non-recurring tax refund also in prospect.

No prospectus would be complete without some indication of how the proceeds of an issue were to be invested. The Dunlop board are content with the broadest indication. One third of the new money is to be used to reduce the temporary borrowings of the group, and another third is to be used in modernising plant and in developing "new manufacturing methods" in this country. If the pilot plant for synthetic rubber forms part of these plans, it will clearly be neither expensive nor extensive. Dunlop will no doubt be careful not to tread on the toes of the natural rubber growers but will look to Canada for the small but growing

amount of synthetic rubber that it needs. The rest of the new money will be invested in subsidiary companies in Canada and the United States, where big developments are in progress, and in Malaya; and there is a margin for future developments.

Big Fall in Bank Deposits

THE figures of the clearing banks for their January make-up follow, as usual, hard on the heels of their end-year balance sheets. They show that in the first three weeks of January the seasonal contraction of credit has been sharper than usual. Aggregate net deposits have dropped by £138 million to £6,232 million, whereas in the corresponding period last year they fell by £110 million. This sharp contraction is, of course, mainly attributable to the heavy flow of taxes to the Exchequer, which enables the Government to repay floating indebtedness to the banking system. Hence the principal counterpart of the fall in deposits is to be found in the banks' liquid assets—their holdings of Treasury bills, call money and cash have fallen by £118 million—with the result that the liquidity ratio has dropped from 36.8 per cent to 36.2 per cent. But although Government repayments have been the predominant factor during the period, this influence accounts for only part of the steepening of the fall in deposits by comparison with last year. Whereas in the first three weeks of 1953 bank advances rose slightly, this time they have shown a contra-seasonal fall of £12 million. At the same time, the banks' portfolios of commercial bills, which had risen steeply in December, have declined by £2½ million—though at £76 million they are still £9 million up on the year.

LONDON CLEARING BANKS

	Jan. 20, 1954	Change on	
		Month	Year
	£ Mn.	£ Mn.	£ Mn.
Deposits	6,456.6	-237.6	+197.3
"Net" deposits*	6,232.1	-138.1	+187.9
	£ Mn.	%†	
Liquid Assets	2,339.0	36.2	-120.8
Cash	526.0	8.1	-15.8
Call Money	482.6	7.5	-18.1
Treasury Bills	1,254.0	19.4	-84.2
Other Bills	76.4	1.2	-2.6
Investments plus Advances	3,971.8	61.5	-10.2
Investments	2,277.1	35.3	+1.9
Advances	1,694.7	26.3	-12.1

* After deducting items in course of collection.

† Ratio of Assets to published deposits.

It appears, therefore, that, despite the pressures of the tax-gathering season, the private sector of the economy has been leaning less heavily upon the banks. On the usual basis of estimation, repayments of indebtedness by the central Government have amounted to about £125 million, compared with £115 million in the similar period last year. This increased rate of repayment is, however, slightly less than might have been expected from the improvement in

its domestic finances as shown by the Exchequer Returns. It would be unwise, however, to try to draw from this disparity any conclusions about other demands upon the Treasury's finances; the difference between the dates of the Exchequer and banking returns can cause serious distortions at this season of the year. But it may be noted that in the most nearly comparable period—the first 23 days of January—the above-line surplus was £425 million, compared with £396 million in the slightly longer period last year, and there was a decline of roughly £11 million in net expenditure below the line. The credit effects of this improvement were, however, partly offset by a small increase in the rate of net repayments of tax reserve certificates and a steeper reflux of currency from circulation. At January 23rd the Exchequer still showed an appreciable above-line deficit, but in the week to Saturday last another strong inflow of revenue converted this into a small surplus, compared with a deficit of £20 million at end-January, 1953.

Home Power for Scotland

THE two area electricity boards that are to merge within a new South of Scotland Electricity Board together have about 1,100,000 consumers, out of the 13,900,000 customers of the area boards as a whole, and they sold in 1952-53 some 4,000 million units of electricity, out of the 51,500 million units sold by all boards. The two generation divisions that would also pass to the new board under the Electricity Reorganisation (Scotland) Bill that had its second reading in the Commons this week include power stations with an installed capacity of about 1,100,000 kW, plus some 230,000 kW under construction; this compares with the British Electricity Authority's total installed capacity at March 31, 1953, of 17,200,000 kW, with 9,400,000 kW under construction. But the new board would have about four times as many consumers and about four times the sales of the North of Scotland Hydro-Electric Board and twice as much installed capacity. It will incidentally inherit BEA's present obligation to buy surplus power produced by the hydro-electric stations.

Under the new Bill, BEA will lose all responsibility, and the Minister of Fuel and Power nearly all, for electricity supply in Scotland. The assets, powers and duties of BEA, north of some point on the border that has still to be defined, will pass to the new board. This will presumably involve shared ownership of the new super-grid line running north to Carlisle and up to Glasgow, as well as Scottish ownership of the northern section of the transmission network. The grid control centre in Glasgow will be operated by the new board; since coal costs in Scotland are slightly lower than in England, the new authority may have a chance to achieve lower bulk supply costs. But if questions of load shedding on one side of the border or the other should arise again, the question which areas shall undergo a power cut will be a matter of negotiation. Development planning, again, will require co-operation; for BEA will have no direct influence upon supply planning in the new area nor will it be able to vet development plans of the North of Scotland Board.

Nationalist Electricity

THE devolution of Scottish electricity is being carried out primarily as a gesture to Scottish national pride; Government spokesmen this week made little pretence of having studied any economic consequences that it may have upon the supply of electricity to Scots. References to the virtues of decentralisation in nationalised electricity were abundant if generally half-hearted; though Sir Arnold Gridley, as an expert, expressed the view that this unifying of responsibility for generation and distribution under a single regional body might be beneficial. Sir Arnold excepted from his approval the splitting of responsibility for transmission; the new measure, of course, sweeps away the centralised control of the grid system that has existed in Britain ever since the Central Electricity Board was set up.

Financial severance may prove a tangled business; broadly, all assets and liabilities that BEA has in Scotland will pass to the new board. The liabilities in respect of British Electricity Stock or money borrowed that are attributable to Scotland will be treated as a loan from BEA to the new board, on similar terms. The financial transfer, like various other provisions of the Bill, is left to agreement between the two electricity authorities, the two Ministers concerned, and in this instance the Treasury. Presumably the new board will be entitled to some Scottish share of the central reserve fund set up by the Authority; one item to be counted in the final balance will be the £1 million worth of gilt-edged investments originally belonging to the Edinburgh electricity authorities, a reserve fund that the South-East Scotland Area Board transferred to BEA but to which they have always asserted their claim.

Cotton's Brave Front

AMERICAN cotton farmers are swamping the Commodity Credit Corporation with cotton. Over 5 million bales of the massive new crop have already been put under loan, raising the Corporation's total holding to some 10 million bales, enough for a year's domestic consumption. Cotton prices, which were bumping the support level of 32.70 cents a lb. for most of last year, have recently risen by nearly 1½ cents as supplies have been taken off the market. Sentiment has also been helped by President Eisenhower's request to Congress to increase the borrowing powers of the CCC, and by a slightly better demand for cotton at home and abroad. The strengthening of American cotton prices has contributed to the firmness of "outside growths." Egyptian prices, which are linked to American prices, have risen by more than a corresponding amount owing to the reduction of about 40 per cent in the Egyptian crop, which has enabled the Egyptian Cotton Commission to increase its price differentials over the American market. In New York, however, the future delivery months are all at a discount on the spot price, now about 34.80 cents a lb. Traders are demonstrably sceptical of the American Administration's plans for dealing with the surplus of cotton.

The 1953-54 crop is now estimated at 16,437,000 bales,

compared with 15,136,000 bales in 1952-53. Domestic demand is expected to absorb about 9 million bales and exports about 3.3 million bales. The carry-over at the end of this season may therefore rise by about 4.1 million bales to 9.6 million bales. The International Cotton Advisory Committee expects that production in the rest of the world may fall by between 500,000 to 1 million bales this season, but that the total carry-over may be between two and three million bales larger than last season's 17 million bales. The American Congress is determined to add to the glut. It has raised the effective limit on this year's plantings from 17.9 million acres to 21.4 million, which compares with 25 million acres planted in 1953. As it is the marginal land that will go out of production, the drop in output may be negligible. The President's plans for dealing with the farm surpluses—even if passed by Congress—would not operate until 1955, and only touch on the problem. Surpluses are not removed by segregation, and "friendly" countries can probably look forward to obtaining an increasing proportion of American cotton in one form of "easy payments" plan or another.

Participants in Air Finance

ALLOTMENTS of the capital of Air Finance Ltd., the company launched last autumn by three leading merchant bankers in conjunction with the Finance Corporation for Industry, reveal for the first time the extent to which the aircraft industry has itself participated in the venture. The issued capital amounts approximately to

SUBSCRIBERS TO AIR FINANCE LTD.

	"A" Shares £1 each 2s. paid	"B" Shares £1 fully- paid
Blackburn & General Aircraft Ltd.	100,000	6,250
The Bristol Aeroplane Co. Ltd.	100,000	...
The De Havilland Aircraft Co. Ltd.	100,000	6,250
The English Electric Co. Ltd.	100,000	...
Rolls-Royce Ltd.	100,000	6,250
Vickers Ltd.	100,000	6,250
Saunders Roe Ltd.	50,000	3,125
Percival Aircraft Ltd.	25,000	...
Westland Aircraft Ltd.	25,000	1,563
British Manufacture & Research Co. Ltd. ...	10,000	625
Joseph Lucas (Gas Turbine Equipment) Ltd.	10,000	600
Rotax Ltd.	10,000	600
Dunlop Rubber Co. Ltd.	10,000	600
Hunting Aviation Management Ltd.	...	1,562
Cushion Trust Ltd.	...	50,000
Moorgate Nominees Ltd.	...	50,000
Morgan Nominees Ltd.	...	50,000
Finance Corporation for Industry Ltd.	...	50,000
	740,000	233,675

the £1 million originally mentioned, but the greater part proves to be in the form of partly-paid shares, so that the total paid-up capital is just under £308,000. In addition to these initial cash resources (and the right to call up a further £666,000) the company has special loan facilities up to £10 million at the FCI, as well as normal banking facilities.

The accompanying table shows the complete list of subscribers, from which it will be seen that nearly two-thirds of the initial cash has been put up by the four sponsoring financial institutions—Lazard Bros., Erlangers and Morgan Grenfell (subscribing through their nominee companies) and the FCI, each of which has contributed £50,000 wholly by way of the fully-paid "B" shares. Participation by the aircraft manufacturers and makers of components (which have together put up £108,000 in cash) is, appropriately, mainly by way of the partly-paid shares. By far the greater part of the industry's total contribution, it will be seen, has come from six companies—Blackburn, Bristol, de Havilland, English Electric, Rolls-Royce and Vickers, each of which has provided £16,250 in cash. An intriguing feature of the list is its omission of several large units in the industry—notably Hawker-Siddeley, Handley-Page and Fairey Aviation—as well as a number of smaller ones. The new company is, of course, concerned solely with finance in the export field; it is possible that other aircraft manufacturers may participate in it as pressure for credit facilities for overseas customers grows more intense, as it is generally expected to do.

Supersonic Handicap

THE Minister of Supply's statement in the House of Commons about British research on piloted supersonic aircraft was as vague as the question that prompted it. Mr Sandys said that a "considerable programme of research" was in hand and "a number of different types of supersonic service aircraft are in course of development." This goes without saying. A supersonic aircraft is one that can reach the speed of sound in level flight (760 mph at sea level) and represents the next stage in fighter development. While the only service aircraft now capable of this is the American Super-Sabre, it is axiomatic that any future fighters must be planned with at least this performance in mind. The point at issue, however, is whether Britain intends to institute a research programme on high-speed aircraft comparable to the American research that has produced two phenomenal aircraft, the Bell X-1A which reached 1,650 mph (Mach 2.5) in mid-December and the Douglas Skyrocket, which touched 1,327 mph (Mach 2.01) a few days earlier.

One project for a supersonic research aircraft was cancelled in 1946, and no steps were taken to order an alternative design. The idea of conducting high-speed research with piloted aircraft was dropped in favour of using unpiloted models and guided missiles, and it was decided to proceed gradually with the development of piloted aircraft, building up performance step by step with each successive design. Doubts are sometimes expressed whether this programme has produced results as satisfactory as those that the Americans have obtained with the co-operation of their test pilots, and whether something on American lines should not now be attempted. Some critics hold that the teething troubles of the new British fighters might have been avoided had British designers possessed the same knowledge about high-speed flying conditions as American designers.



Plunger to Plastic

Here is a "shooter" at work. His connection with the girl in the plastic mackintosh? He is seeking oil; and oil is one of the basic raw materials for many types of plastics.

The shooter's target lies several thousand feet below the earth in Nottinghamshire. As he presses the plunger he detonates a dynamite "shot." This creates shock waves which are reflected back to the surface from underground rock layers. Recorded and charted, these shock waves indicate where and at what depth likely oil-bearing formations may be found.

About three-quarters of a million tons of oil have so far been produced in Nottinghamshire; not much compared with Anglo-Iranian's yearly output of over 30,000,000 tons, but every ton produced at home saves valuable tanker space.



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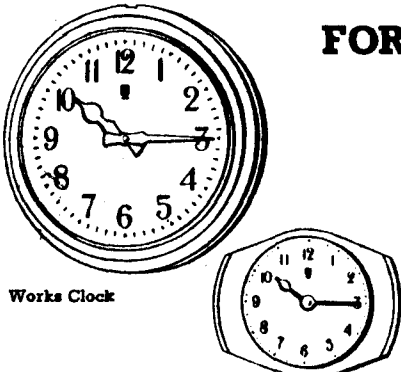




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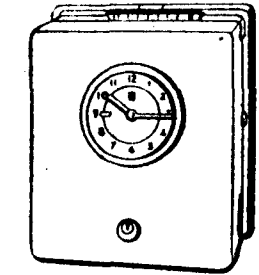


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Office Clock

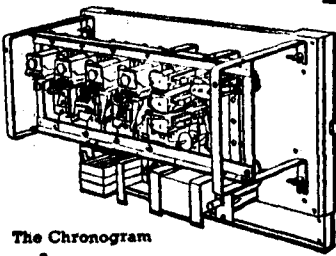
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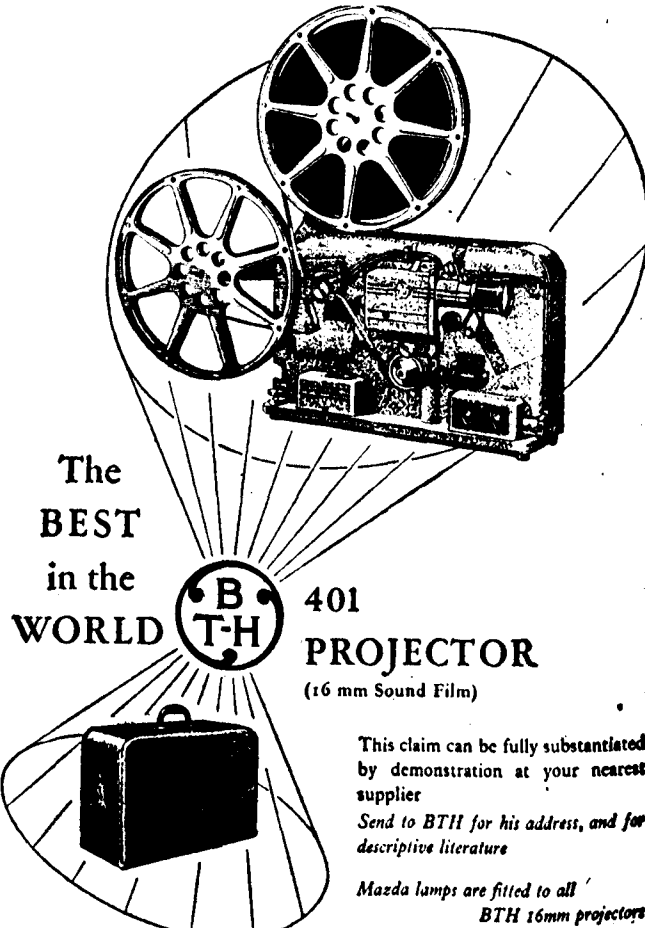
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Pint-Sized Atom Plant

REPORTS that the Radio Corporation of America has succeeded in generating electricity direct from materials made radio-active in an atomic pile have caused interest but hardly excitement among British scientists and industrialists. In itself, the RCA demonstration is a considerable feat. Taking a material known as strontium 90, a by-product of atomic fission, the Americans constructed a small battery. The highly radio-active strontium gives off vast quantities of electrons; if these electrons bombard a germanium transistor (a sophisticated version of the cat's whisker and crystal, which is replacing the familiar radio valve in certain uses) they displace a far greater number of slower-moving electrons from the transistor, and the result is an electric current. Even though the currents so far achieved are infinitesimal, this represents a completely new way of obtaining electricity, involving neither turbines, nor generators, nor boilers, nor any fuel other than the radio-active waste products of uranium fission. The principle seems to have been known to scientists for some time, but RCA is the first to build a gadget round the phenomenon.

A great deal of study is going on in Britain about ways of making use of the immensely powerful radiation from atomic wastes, the disposal of which raises peculiar and thorny problems. A paper on the effect of radiation on transistors is being prepared at Harwell, and may be published shortly. Information so far released about the new RCA "battery" is scanty, and suggests that the difficulties of further development may be immense.

Instead, they offer the rather breath-taking suggestion that quicker progress might be made, despite the additional complications, by attempting to negotiate simultaneously a number of agreements, which could be operated independently or together. Their report argues that countries might more readily make a concession in one commodity in return for a similar concession in another—much as they bargain over tariff reductions at GATT. Such agreements might also attract wider support and have a longer life than single-commodity agreements. The United States, for example, might have been willing to join the agreement on tin (which it imports) as the price of an agreement on wheat (which it exports); and Britain might have been more reluctant to leave the wheat agreement at the cost of losing the tin agreement.

The report considers that the buffer-stock type of agreement is generally preferable to the multilateral contract and opposes, except in special circumstances, an agreement which restricts production, because this tends to feather-bed the high cost producers. The theoretical virtue of the buffer stock is that it does not interfere with the pattern of production and trade, and simply moderates violent short-term fluctuations of the trend of prices. The practical difficulty, which is recognised in the report, is that without restrictions, the cost of financing the stock—at least in the short term—can rise to massive proportions.

Barriers to Scientific Liaison

THE British Commonwealth Scientific Office (North America) has been established in Washington, under various names, since 1940, with the responsibility for scientific liaison originally between the United States and Britain, and now extended, through separate missions, to other members of the Commonwealth. It was at first concerned mainly with liaison on military research and development, but has since the war broadened its collaboration to the economic and industrial field. Its latest review of "Science in USA" contains once again an informative review of development in many fields of American research. But the review also refers to one administrative decision of the United States Government that may make the missions' own work of liaison more difficult than before.

In March, 1953, the two "documentation centres" of the Department of Defence were amalgamated into a new body, the Armed Services Technical Information Agency. The regulations under which this new agency works make it the main channel of dissemination for technical reports produced in the Department. It is authorised to distribute unclassified material only "for use in connection with United States military projects and contracts and other Department of Defence work." Astia is forbidden to supply even unclassified material except for defence purposes, and even persons doing defence research are allowed only material for which they have established a "need-to-know." But in particular, Astia is not concerned to collect information from foreign sources, and is expressly precluded from supplying information to "foreign governments or nationals."

Much of the unclassified defence material is eventually published, though this introduces an extra time lag; and

* "Commodity Trade and Economic Development"; United Nations, 5a.

some reports are sold to the public through the Department of Commerce, which does issue partial lists of published technical reports. Direct exchanges of research reports between institutions or branches of the Department is still allowed; and it is still not too difficult to obtain unclassified research material from other Federal departments, usually after delay. Attitudes of American Government agencies towards dissemination of information differ widely—the Atomic Energy Commission, for example, passes out unclassified information about its multifarious activities on the widest and most useful scale. Even so, the new restrictions under which Astia works must reduce the effectiveness of such liaison organisations as the Commonwealth Scientific Missions, for the Department of Defence itself is financing more than a third of all the scientific research in America.

Ice-Cream and Cinema Profits

THE one figure that the cinema industry has always chosen to leave out of its elaborate estimates of profit and loss, when presenting its case for relief of Entertainment Duty to the Customs and Excise Department, or arguing over the "Eady" levy with the Board of Trade, has been the income that it derives from selling ice-cream and confectionery to its audiences. It has always been uncomfortably aware, however, that the Board of Trade has had a good idea of what these sales amounted to, having once obtained detailed figures in the course of collecting its quarterly statistics. Last week the Board, through Mr H. E. Browning and Mr A. A. Sorrell of its statistics department, revealed what it knew of this last missing piece in the jigsaw of film finance.

In a comprehensive and useful survey of statistics of film cinema exhibition, read before the Royal Statistical Society, Messrs Browning and Sorrell revealed that in the quarter for which details of these ancillary sales were obtained, April-June, 1951, cinemas sold £670,700 worth of tobacco, and £2,827,500 worth of ice-cream and confectionery. Practically every other person who went to the cinema, it seemed, bought some kind of refreshment—usually ice-cream. Since that time there has been a decline in admissions, which in 1952 was at the rate of about 4 per cent, and there may have been a greater falling-off in sales. Since sweets rationing was abolished, more confectionery has been sold in cinemas, partly replacing ice-cream, and the profit margin on sweets is much lower; though it may be added that the promotion of these sales has been enlivened by many managements, and sales of soft drinks appear to have expanded.

Messrs Browning and Sorrell offered no estimates of profit margins on these sales—which might in fact be about 9 per cent on tobacco, up to 50 per cent on ice-cream and 30 per cent on sweets—but they commented that the profit on a turnover of more than £3 million a quarter "must have made a substantial contribution towards the revenue of the trade." On their own showing, it needs one. They suggested that in 1951-52 the exhibitors as a group might have been just about able, from film revenues, to cover all costs "except the payment of rent." Even an annual profit of perhaps £5 million on ancillary sales, plus perhaps £1½ million from showing screen advertising,

would not seem to offer a particularly fat margin for rent and operating profit on cinemas worth in prewar values some £95 million.

Boom in Valves

ONE section of British engineering that has been unusually stimulated by the development of petroleum refining and chemical process industries—as well as from new techniques developed to serve the atomic energy projects—during the period of dollar scarcity since the war is the manufacture of valves to control the flow of liquids and gases. Output has grown considerably, while exports have recently shown a better record than any other engineering product. More manufacturers have turned to specialising on valves; and within this more concentrated industry individual companies have themselves been specialising to a greater extent upon particular types and ranges of industrial valves—which may vary, for example, from water valves 13 feet in diameter to half-inch stop valves.

A review of progress in this industry published this week by the British Productivity Council records that valve output has increased fourfold in value since 1946. Increases in prices must account for a considerable proportion of this growth; the review quotes incomplete prewar figures which suggest that the volume of output today is about two and a half times the volume in 1935. The slackening of demand for some types of capital equipment that developed late in 1952 has had little obvious effect upon the output of these

ANNUAL DELIVERIES AND EXPORT OF INDUSTRIAL VALVES

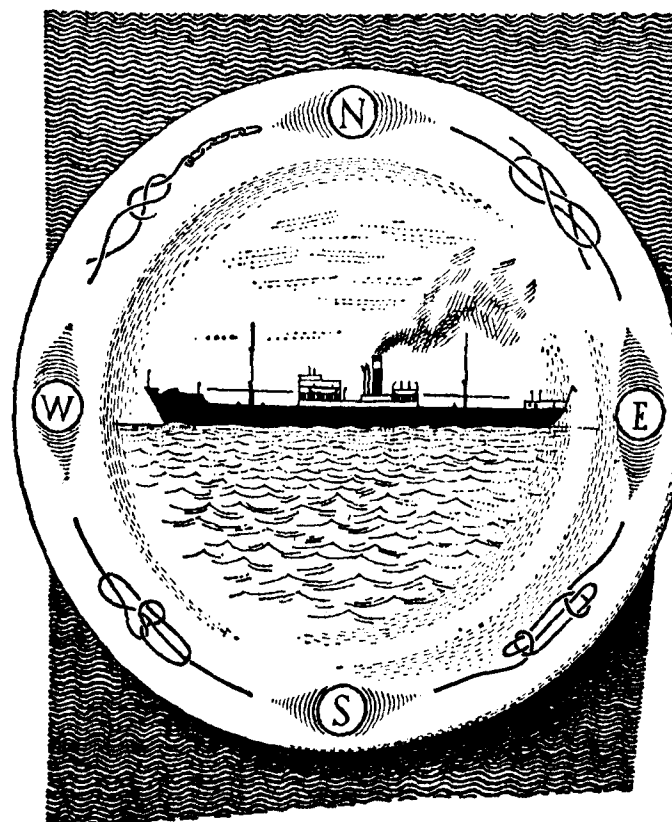
Year	Value of Total Deliveries £'000	Expressed as % of 1946 Value	Value of Deliveries for Export £'000
1945*	3,901	78	1,140
1946	5,000	100	1,770
1947	9,000	180	3,250
1948	14,200	284	4,680
1949	17,170	343	5,590
1950	18,901	378	6,840
1951	21,920	438	7,000
1952	26,460	529	9,150
1953†	26,790	536	9,780

*Based on last 3 months.

†Based on first 10 months.

ubiquitous components, the value of which continued to increase during the first ten months of 1953. Nevertheless, orders have been slackening in recent months; delivery periods, which for certain types of valves lengthened to two or three years in the immediate postwar years, are now down to a few months, while some manufacturers are producing only to orders received.

About 85 per cent of valves are today made by specialist companies (against only about 50 per cent in 1935), and probably some 15,000 people are employed in valve manufacture. The Productivity Council thinks that in this industry the volume of output per man-year probably increased slightly more between 1948 and 1953 than it did in manufacturing industry as a whole (for which it puts



SHIP'S PLATE

"It'll sink," they said, when the first iron ship was launched. But it didn't.

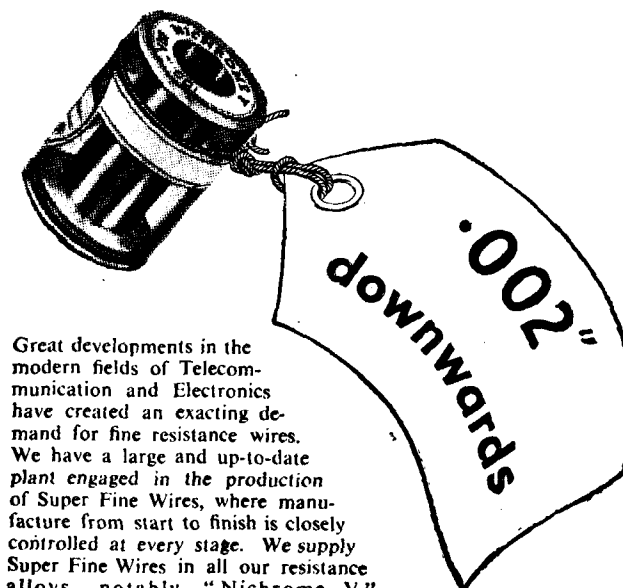
Iron was eventually superseded by steel for ship construction and today in shipbuilding more steel plates are used than in any other industry. Usage of steel plate in other directions is, however, developing fast. Since the war, nearly all railway wagons have been largely built of steel plate. The movement and storage of oil calls for immense quantities for storage tanks, pipe lines, road and rail tankers and tanker ships. Tanker ships, which require proportionately more plates than other ships, now form about 50 per cent of our shipbuilding output.

These are some of the reasons for the great rise in the demand for plates and why production has been increased from 1,633,000 tons in 1946 to at least 2,400,000 tons in 1953.

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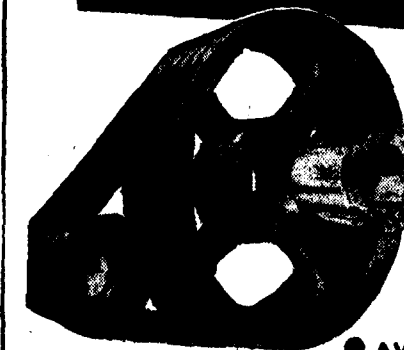
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the annual average increase at slightly over 2 per cent); in the valve industry "and others" this improvement in productivity is attributed largely to the amount of additional capital equipment installed.

SHORTER NOTES

Final results of the first sale of state-owned transport units by the Road Haulage Disposals Board, published this week, confirm the earlier indications that this was a failure. Out of 398 transport units comprising 2,323 vehicles with operating licences and 157 spare vehicles, bids were accepted for only 159 units of 602 vehicles with operating licences and 14 spares. The sales of transport units with premises as well as vehicles were even less successful than those of "vehicles-only" units. A number of the transport units for which all bids were unacceptable, or for which no bids were received, are to be put up for sale again in a "special list" to be advertised this month. Two further lists of vehicles for sale have already been advertised, and a fourth list, apart from those units being put up again, will probably be published next month. Even this fourth list will leave the Commission with about 20,000 vehicles that have not

been offered for sale, apart from those it is allowed to retain under the Act.

The second half of the wool-selling season has opened a few pence lower for merino and fine crossbred wools, but prices of medium crossbreds are almost unchanged. The New Zealand Wool Commission (London Agency) estimates that in January the average clean cost, delivered UK, of merino 70's and 64's fell by 4d. to 156d. and 135d. a lb respectively; crossbred 58's were 2d. cheaper at 111d. a lb, and 56's were unchanged at 90d. Medium crossbred 50's and 46's were 1d. cheaper at 72d. and 69d. a lb respectively.

The Council of Foreign Bondholders has now made known the weighting scheme which it has suggested to the Treasury for use in deciding the relative treatment of various Bulgarian, Hungarian and Rumanian loans in the distribution of ex-enemy property. Maximum weighting in respect of unpaid interest, principle and sinking fund is given to the Rumanian 4 per cent 1922 loan and to the Monopolies 7 per cent loans of 1929 and 1931. Maximum weighting is also given to the Bulgarian League of Nations loan and the Hungarian League of Nations loan.

Company Notes

TOOTAL. The bonus issue of ordinary shares and the bigger equity dividend from Tootal did not take the market by surprise. It had been anticipated for some weeks and the £1 ordinary shares, which stood at 84s. at the beginning of the year, were quoted at 105s. on the eve of the announcement. Intelligent and anticipatory speculation can go a long way. The actual increase in dividends, however, was larger than had been expected and after the announcement the shares jumped to 119s. 6d.

Speculation about speculation is not a rewarding study. And shareholders would do better to concentrate on the implications of the bonus issue itself. By capitalising £2,400,000 from reserves the company intends to make a 300 per cent bonus issue to ordinary shareholders, raising the equity capital to £3,200,000. On this new capital, the directors intend "having regard to current trading conditions and the present earnings of the business" to pay a dividend for the year to June 30, 1954, of 10 per cent. This new dividend represents a rate of 40 per cent on the existing capital, compared with 25 per cent (including a 12½ per cent Corporation bonus) paid in 1952-53 and of 15 per cent (including a 2½ per cent bonus) paid in 1951-52. All doubts about the next dividend and the present course of the group's trade have been set at rest by this announcement. Clearly the recovery in sales and earnings from the 1950-51 recession

recorded in the company's latest accounts (for the year to June 30th last) has been carried a stage further.

A 300 per cent bonus issue, however, implies something more than confidence in the immediate future. It suggests that at the very least the directors have a good deal of confidence in the longer term prospects as well. In commenting on the issue they point out that the company's postwar policy of retaining the greater part of earnings has enabled the group to develop, modernise and extend its plant. About £2½ million has been invested in fixed capital and further sums have been invested in working capital and in sales organisations overseas. Nor has a halt been called to this policy. The directors emphasise that "considerable sums will be needed in the near future for financing new projects already begun or planned, and additional sums will be required for working capital if the business is to continue to expand in the manner the directors anticipate."

In fact, they seem reasonably certain that the group will be able to plough back a good part of its profits to maintain a high degree of liquidity in the business as well as to pay a dividend of 10 per cent on the new and enlarged capital. If they are right, then the yield of 6½ per cent offered on the basis of the new dividend cannot be very far off the mark. It accepts the directors' assessment of the future but not without the important proviso that Lanca-

shire is the home of one of the most vulnerable of British industries.

HARRODS (BUENOS AIRES).

As a footnote to present indications from Argentina that fresh British capital investment would be welcomed and to the new law that capital entering Argentina after August 26th last year for approved investment would be allowed remittance at the rate of 8 per cent per annum, the experience of one of the older investments in Argentina may be enlightening. Harrods (Buenos Aires) has been adding substantially to its stake in Argentina, but recent

	Years to Aug. 31,	1952	1953
Consolidated earnings*:			
Loss, before tax		49,740	42,019
Taxation		29,491	17,364
Tax and other credits		47,143	35,387
Net loss		31,436	23,078
Transfers from general reserves		46,080	100,983
Cons. balance sheet:			
Excess assets over liabilities in Argentina		5,540,173	5,540,173
Goodwill		421,482	420,985
Chiliana subsidiary		140,000	140,000
Cash and short loans		632,846	534,934
Issued capital		5,358,651	5,358,351

* Excluding peso profits earned in Argentina; profits of 75,325,248 pesos earned in the three years to August 31, 1953, are excluded as non-transferable.

additions have not been of a voluntary nature. Mr F. A. Stacpole, the new chairman, tells shareholders the worst. From profits earned after June 30, 1949, the company has so far been permitted to remit nothing except for a small amount of debenture interest of a subsidiary company. The law which allows the Argentine central bank to grant up to

a non-cumulative 5 per cent of profits earned on recognised capital after August 27, 1950, so far as foreign exchange is available, just has not been operated for the company. It and its subsidiary—South American Stores (Gath and Chaves)—have submitted applications without effect for about 41 million pesos. In addition there are accumulated profits amounting to about 64 million pesos which appear unremittable under present regulations.

This sorry treatment by the Argentina of the past profits of the group takes some of the edge off the fact that peso earnings, too, are now falling sharply. Mr Stacpole reports a drop in consumer buying with fiercer competition among retailers and expects profits for the year to August 31st at least to be small, this being the natural consequence of a slowing down of inflation. The 8 per cent preference dividend is being paid with the aid of a transfer from reserves and with a warning as to the uncertainty of future dividends. There is no ordinary dividend and has been none since 1951.

ASSOCIATED COMMERCIAL VEHICLES. The full accounts of Associated Commercial Vehicles, one of the giants of the commercial vehicles industry, tell much the same story as that unfolded in the accounts of the leading motor car manufacturers. Trading profits changed little in the year to September 30th; at £1,984,319 they were £141,462 higher than in 1951-52. This increase, however, was no mean achievement in a year that witnessed a decline in the production of commercial vehicles.

The increase in gross profits is reflected both in the rise in taxation and in net profits. Yet in spite of the advance in net earnings (from £633,946 to £774,399), the directors have been content—as their confrères elsewhere in the motor industry were—to leave the ordinary dividend un-

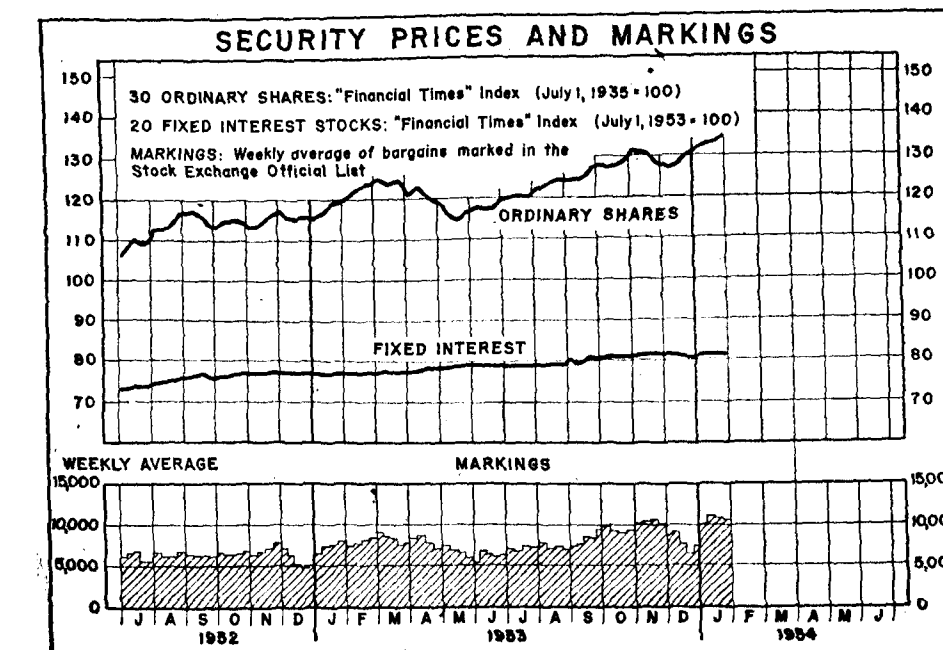
changed. It is again 22½ per cent. The directors have ploughed back more money into the business, a policy that they have pursued for a number of years, while adding to the interests of the group. To some shareholders the time must seem ripe when the rigours of this policy should be lightened by granting a bigger return on the equity.

As with most of the other motor manufacturers, the year to September 30th brought a substantial easing of ACV's working capital commitments. Its stocks were reduced by £2,179,679 to £6,084,417, accompanied by the inevitable rise in

	Years to September 30,	1952	1953
Consolidated earnings:			
Trading profit		1,842,817	1,984,319
Total income		1,870,922	2,004,420
Depreciation		195,889	211,438
Taxation		846,773	935,817
Net profit		633,946	774,399
Ordinary dividends		246,586	258,328
Ord. dividends (per cent)		22½	22½
Retained by subsidiaries		23,389	70,810
General reserve		300,000	350,000
Added to carry forward		55,784	50,917
Cons. balance sheet:			
Fixed assets, less depreciation		1,864,276	2,056,699
Net current assets		10,797,160	11,392,933
Stocks		8,264,096	6,084,417
Cash		502,511	2,126,863
Reserves		5,686,045	6,192,884
Ordinary capital		2,087,500	2,087,500

£1 ordinary stock at 65s 6d x d. yields £6 17s per cent.

liquid balances. The group's cash balances rose from £502,511 to £2,126,863 and, in addition, the group was able to lend out £725,000 in short-term loans. The group was, no doubt, encouraged to reduce its investments in stocks and work in progress by the fuller and steadier flow of raw materials to its factories. The signs of prosperity are as much in evidence in ACV's accounts as they were in the other motor company reports but these signs should not be allowed to gloss over the fact that the commercial vehicle manufacturers are in for a competitive struggle as keen as that in the motor-car industry.



LONDON STOCK EXCHANGE

Next Account begins: February 10th.
Next Contango Day: February 10th.
Next Settlement Day: February 16th.

In spite of a slight reaction in gilt-edged prices, industrial equities made fresh progress this week. Gilt-edged stocks, which had remained firm before the week-end, tended to slip back. The market was very quiet and these losses were confined to about ½ of a point. By contrast, Dominion and Colonial securities remained firm. One of the most active sections of the market was that dealing in foreign bonds. Japanese issues rose sharply in response to the signing of the trade agreement and, though profits were taken later, they did not lose all the ground that they had gained. At first, German loans advanced, with the exception of the Potash bonds which were marked down on the announcement that the debtors had not made a fresh offer. Later, however, the Potash bonds rallied but the other German loans turned dull. Elsewhere in the market, some speculative interest was taken in Greek issues and in Balkan issues (in advance of the statement on the distribution of frozen assets).

The demand for industrial equities improved and as the market was none too well supplied with stock, prices responded with widespread gains. Engineering issues were in the van of this rally. Later on tobacco shares (led by "Bats") and confectionery shares joined in this rally. The biggest movements, however, were recorded in textile shares. These were marked down on Monday, following the news of the Anglo-Japanese trade agreement, but the announcement of the bonus issue and bigger dividend from Tootal led to a very strong recovery. Most of the leading cotton textile shares took part in this advance, with Linen Thread and J. and P. Coats in the lead. Oil shares were very active but prices moved rather irregularly; Shell remained firm but Anglo-Iranian, which had been marked up on Monday, lost some ground. Tea and rubber shares were very quiet and prices were hardly tested. Kaffirs were dull at the beginning of the week, but improved on Wednesday and in early dealings on Thursday when the Cape renewed its support for uranium issues.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Jan. 27...	134.9	112.04	3.90	5.38
" 28...	135.3	112.06	3.90	5.37
" 29...	135.4	112.06	3.90	5.36
Feb. 1...	135.5	111.94	3.91	5.36
" 2...	136.2	111.94	3.91	5.33
" 3...	137.2	111.94	3.91	5.29
1954, High.	137.2	112.06	Total bargains 1954	
" Low.	131.1	111.78		
	(Jan. 1)	(Jan. 5)		
1953, High.	131.5	112.55	Feb. 1	12,018
" Low.	113.9	105.68	" 2	9,839
	(May 20)	(Jan. 5)	" 3	10,426

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Feb. 3		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Jan. 27, 1954	Price, Feb. 3, 1954	Net Yield, Feb. 3, 1954	Gross Yield, Feb. 3, 1954	Prices, 1954 Jan. 1 to Feb. 3		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Jan. 27, 1954	Price, Feb. 3, 1954	9.9
High	Low					£ s. d.	£ s. d.	High	Low						
100 3/4	100	War Bonds 2 1/2% '52-54...	100 1/2	100 1/2	1 4 8	2 4 5	14 1/2	45 7/8	41 4/8	12 1/2	15 c	STEEL & ENGINEERING	42/6	44/-	6 10
100 1/2	99 1/2	Exchequer 2 1/2% 1955...	100 1/2	100 1/2	1 4 8	2 4 5	14 1/2	13 1/2	13 1/2	15 c	5 a	B.S.A. £1	13/3	13/3	7 0
102 1/2	101 1/2	Exchequer 3% 1960...	101 1/2	101 1/2	1 8 3	2 14 8	52 9/8	50 1/2	50 1/2	10 b	5 a	Cannell Laird 5/-	51/6	50/6	5 18
100	99 1/2	Exchequer 3% '62-63...	100	100	1 13 7	3 1 1/2	24 9/8	23 1/2	23 1/2	2 1/2 a	7 1/2	Guest Keen N'fold £1	23/3	23/3	7 1
99 1/2	99 1/2	Serial Funding 1 1/2% 1954...	99 1/2	99 1/2	1 3 6	2 4 0	50 6/8	47 6/8	47 6/8	12 1/2 b	2 1/2 a	United Steel £1	48/1 1/2	50/-	6
99 1/2	99 1/2	Serial Funding 2 1/2% 1957...	99 1/2	99 1/2	1 6 3	2 7 10						TEXTILES			
101 1/2	101 1/2	Serial Funding 3% 1955...	101 1/2	101 1/2	0 17 5	2 7 9	36 1/2	32/-	7 b	4 a	Bradford Dyers £1	35/6	35/6	6 5 1/2	
100 1/2	100	War Bonds 2 1/2% '54-56...	100 1/2	100 1/2	1 5 9	2 8 0	26 6/8	24 9/8	12	6 a	Brit. Celanese 10/-	25/6	26/3	4 10 1/2	
100 1/2	100 1/2	Funding 2 1/2% '52-57...	100 1/2	100 1/2	1 3 6	2 9 2 1/2	56 3/8	49 4/8	7 1/2 b	5 a	Coats (J. & P.) £1	50/6	55/-	5 4 2	
101 1/2	100 1/2	Nat. Def. 3% '54-58...	101 1/2	101 1/2	1 5 5	2 12 7 1/2	54 3/8	50 4/8	6 1/2 b	6 1/2 a	Courtaulds £1	53/-	53 9/8	6 0 7	
102 1/2	101 1/2	War Loan 3% '55-59...	102 1/2	102 1/2	1 5 3	2 13 6 1/2	50 3/8	48/-	5 a	10 b	Lancs. Cotton £1	49/-	49 9/8	6 0 7	
97 1/2	95 1/2	Savings Bonds 3% '55-65...	96 1/2	96 1/2	2 0 0	3 7 6 1/2	69 3/8	64 3/8	20 c	5 a	Patons & Baldwins £1	67/-	64 9/8	6 3 6	
97 1/2	97 1/2	Funding 2 1/2% '56-61...	97 1/2	97 1/2	1 15 1	2 19 0 1/2	46 1/8	41 9/8	7 1/2 a	12 1/2 b	Assoc. Elect. £1	44 3/8	45 6/8	4 7 1 1/2	
93 1/2	92 1/2	Funding 3% '59-69...	93 1/2	93 1/2	2 3 11	3 12 10 1/2	41 1/8	38 1/8	10 c	2 1/2 a	Brit. Insulated £1	39 3/8	41 1/8	4 17 0	
95 1/2	93 1/2	Funding 3% '66-68...	94 1/2	94 1/2	2 1 11	3 9 10 1/2	42 6/8	39 3/8	10 b	5 a	English Elect. £1	40 9/8	41 3/8	5 12 1/2	
101 1/2	100 1/2	Funding 4% '60-90...	101 1/2	101 1/2	2 1 6	3 19 1 1/2	41 1/8	37 9/8	3 1/2 a	7 1/2 b	General Elect. £1	40 1/8	40 1/8		
92 1/2	90 1/2	Savings Bonds 3% '60-70...	91 1/2	91 1/2	2 5 10	3 14 3 1/2						MOTOR & AIRCRAFT			
90 1/2	90 1/2	Savings Bonds 2 1/2% '64-67...	90 1/2	90 1/2	2 4 8	3 1 2 1/2	20 6/8	18 6/8	6 1/2 b	3 1/2 a	Bristol Aero 10/-	20/-	20 3/8	4 1 1/2	
103 1/2	101 1/2	Victory 4% '20-76...	101 1/2	101 1/2	2 1 3	3 11 8 1/2	6 7/8	6 3/8	4 a	6 1/2 b	British Motor £1	6 4 1/2	6 7 1/8	7 1 1/2	
89 1/2	87 1/2	Savings Bonds 3% '65-75...	88 1/2	88 1/2	2 6 10	3 11 11 1/2	29 3/8	26 3/8	7 1/2 c	7 1/2 c	De Havilland £1	27 1/8	28 3/8	5 3 2	
93 1/2	93 1/2	Consols 4% att. Feb. '57...	93 1/2	93 1/2	2 7 2	4 5 9 1/2	37 7/8	35 9/8	15 c	15 c	Ford Motor £1	37 6/8	37 6/8	4 0 0	
85 1/2	85 1/2	Conv. 3 1/2% att. April '61...	85 1/2	85 1/2	2 5 5	4 3 1 1/2	50 3/8	47 7/8	6 a	9 b	Hawker Siddeley £1	49 1/8	50 1 1/2	5 13 8	
64 1/2	63 1/2	Treas. 2 1/2% att. April '75...	64 1/2	63 1/2	2 3 6	3 19 6 1/2	95 1/8	84 3/8	25 c	25 c	Leyland Motors £1	87 6/8	92 6/8	5 8 1	
75 1/2	74 1/2	Treas. 3% att. April '66...	74 1/2	74 1/2	2 4 8	4 1 8 1/2	34 1/8	31 1/8	2 a	8 b	Raleigh Ind. £1	33 1/8	33 1/8	6 1 2	
93 1/2	92 1/2	Treas. 3 1/2% '77-80...	93 1/2	93 1/2	2 5 8	3 18 11 1/2	70 3/8	68 6/8	10 b	5 a	Rolls Royce £1	69 4/8	69 4/8	4 6 6	
94 1/2	92 1/2	Treas. 3 1/2% '79-81...	93 1/2	93 1/2	2 5 5	3 18 4 1/2	6 8 1/2	5 5 1/2	12 c	12 c	Standard Motor 5/-	5 9/8	6 6/8	9 4 7	
85 1/2	84 1/2	Redemption 3% '86-96...	84 1/2	84 1/2	2 4 11	3 16 0 1/2					SHOPS & STORES				
84 1/2	84 1/2	War L'n 3 1/2% att. Dec. '52...	84 1/2	84 1/2	2 5 9	4 3 6 1/2	25 10 1/2	23 7 1/2	20 c	5 a	Boots Pure Drug 5/-	24 1/8	24 6/8	4 1 1/2	
64 1/2	63 1/2	Consols 2 1/2%	64 1/2	63 1/2	2 3 3	3 18 8 1/2	34 4/8	32 1/8	12 1/2 a	37 1/2 b	Debenhams 10/-	33 3/8	33 3/8	6 0 4	
90 1/2	89 1/2	Br. Elec. 3% '63-73...	89 1/2	89 1/2	2 6 6	3 16 1 1/2	98 9/8	92 9/8	17 1/2 b	5 a	Lyons (J.) "A" £1	96 3/8	97 6/8	4 12 4	
83 1/2	88 1/2	Br. Elec. 3% '74-77...	88 1/2	88 1/2	2 6 4	3 16 2 1/2	80 7/8	73 10 1/2	35 b	20 a	Marks & Spen. "A" 5/-	80 3/8	79 9/8	3 9 11	
105 1/2	103 1/2	Br. Elec. 4 1/2% '74-79...	105	104 1/2	2 2 2	4 0 6 1/2	69 3/8	64 1/8	20 a	40 b	Woolworth 5/-	68 3/8	67 1/8	4 3 7	
94 1/2	93 1/2	Br. Elec. 3 1/2% '76-79...	94 1/2	94 1/2	2 4 8	3 17 10 1/2					OIL				
84 1/2	83 1/2	Br. Trans. 3% '78-88...	83 1/2	83 1/2	2 7 2	3 17 10 1/2	9 1/8	8 1/8	30 b	5 a	Anglo-Iranian £1	8 1/8	9 1/8	3 16 2	
90 1/2	89 1/2	Br. Trans. 3% '68-73...	89 1/2	89 1/2	2 6 7	3 16 2 1/2	62 4/8	56 10 1/2	12 1/2 b	2 1/2 a	Burmah Oil £1	58 9/8	61 10 1/2	4 16 11 1/2	
101 1/2	100 1/2	Br. Trans. 4% '72-77...	101 1/2	101 1/2	2 2 11	3 19 0 1/2	43 5/8	43 5/8	12 b	4 a	Royal Dutch 100 fl.	43 5/8	43 5/8	4 4 8	
85 1/2	84 1/2	Br. Gas 3% '90-95...	84 1/2	84 1/2	2 4 11	3 15 8 1/2	99 6/8	93 4/8	10 1/2 b	5 a	Shell Reg. £1	97 6/8	99 4/8	5 9 9	
98 1/2	96 1/2	Br. Gas 3 1/2% '69-71...	98 1/2	96 1/2	2 2 8	3 14 7 1/2	20 4/8	17 6/8	5 1/2 a	15 1/2 b	Trinidad L'holds 5/-	19 3/8	19 9/8	4 12 0	
101 1/2	99 1/2	Br. Gas 4% '69-72...	101 1/2	101 1/2	2 2 5	3 18 2 1/2					SHIPPING				
											2 1/2 a	Cunard £1	38/-	39 6/8	8 2 2

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953		Prices, 1954 Jan. 1 to Feb. 3		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Jan. 27, 1954	Price, Feb. 3, 1954	Yield, Feb. 3, 1954
High	Low	High	Low					
92	84 1/2	91 1/2	90 1/2	Aust. 3 1/2% '65-69...	90 1/2	90 1/2	4 1 3/4	3 1/2
95 1/2	91	95 1/2	94 1/2	N. Zealand 3 1/2% '62-65...	95 1/2	94 1/2	3 17 6 1/2	18 5/8
99 1/2	93 1/2	98 1/2	97 1/2	S. Africa 3 1/2% '54-59...	98 1/2	98 1/2	3 17 7 1/2	56 3/8
73 1/2	66 1/2	72 1/2	71 1/2	L.C.C. 3% att. 1920...	72 1/2	72 1/2	4 3 4 1/2	58 6/8
95 1/2	90 1/2	95 1/2	95 1/2	Liverpool 3% '54-64...	95 1/2	95 1/2	3 10 0 1/2	56 7/8
94 1/2	88 1/2	94 1/2	94 1/2	P.L.A. 3 1/2% '66-71...	95 1/2	95 1/2	4 1 5 1/2	53 1/8
104 1/2	101 1/2	102 1/2	101 1/2	Agrie. Mort. 5% '59-89...	102	102	4 12 3 1/2	66 11 1/2
77 1/2	66 1/2	75 1/2	75 1/2	Austria 4 1/2% '34-59...	78 1/2	79 1/2	4 5 5 1/2	67 3/8
21 1/2	8	16 1/2	11 1/2	Chinese 5% 1913...	16	16 1/2		74 6/8
74 1/2	49 1/2	78 1/2	72	German 5%...	74	73		60 9/8
102 1/2	65	110	102	German 4 1/2%...	108	107		6 3/8
139 1/2	119	141 1/2	132 1/2	Japan 5% 1907...	138	141		24 1/8

Prices, 1954 Jan. 1 to Feb. 3		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 27, 1954	Price, Feb. 3, 1954	Yield, Feb. 3, 1954
High	Low							
46 1/2	44 1/2	7 a	9 b	BANKS & DISCOUNT				
62 1/2	58 9/8	6 a	8 b	Barclays £1	45 1/2	44 6/8	4 9 11 1/2	60 1/2
81 1/2	74 10 1/2	8 a	8 b	Lloyds "A" £5, £1 pd.	76 6/8	76 6/8	4 3 8	73 6/8
81 1/2	75 1/2	8 1/2 a	8 1/2 b	Midland £1 fully pd.	73 6/8	73 6/8	4 12 6	84 1/2
90 1/2	81 6/8	9 a	9 b	N. Prov. "B" £5, £1 pd.	84 1/2	84 1/2	4 5 9	95 1/2
100 1/2	92 1/2	7 1/2 a	7 1/2 b	Westminster £4, £1 pd.	95 1/2	95 1/2	5 3 8	58 1/2
60 1/2	54 6/8	5 a	5 b	Alexanders £2, £1 pd.	58 1/2	58 1/2	3 9 0	47 6/8
51 6/8	46 9/8	5 a	5 b	Nat. Disc. "B" £1	47 6/8	47 6/8	4 4 3	39 6/8
40 7/8	38 6/8	4 a	4 b	Union Disc. £1	41 6/8	41 6/8	6 10 3 1/2	
43 4/8	40 3/8	9 b	7 a	Barcl. (D.C. & O.) "A" £1				
				Chart. Bk. of India £1				
				INSURANCE				
				Leg. & Gen. £1, 5/- pd.	91 1/2	91 1/2	3 9 3	
				20th Pearl £1, fully pd.	20 1/2	20 1/2	5 5 2	
				Prudential "A" £1	36 1/2	37 1/2	5 3 2	
				BREWERIES, ETC.				
				33 b Bass £1	126 10 1/2	126 10 1/2	6 15 7	
				4 b Distillers 4/-	18 1/2	18 1/2	4 17 4	
				11 b Guinness 10/-	33 1/2	32 1/2	5 12 6	
				8 b Ind. Coops 5/-	8 6	8 6	7 1 2	

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75 1/2% of net. (e) To earliest date. (f) Flat yield. (g) Included 2% century bonus; yield basis 14 1/2%. (h) Also 2% tax free cash bonus; yield basis 13 6/8%. (i) To latest date. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 14 1/2%, as forecast by Company. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 11 1/2% after capital bonus. (o) Yield basis 9%. (p) Also 5% net capital distribution, not in yield. (q) Yield basis 20%. (r) Yield basis 15% after capital bonus. (s) Yield basis 15 1/2%, as forecast by Company. (t) Yield basis 19 7/8% gross basis 50%. (u) Yield basis 7 1/2%. (v) Also 2 1/2% tax free out of capital profit, not included in yield. Yield basis 20%. (w) Yield basis 11 1/2%.

New York Closing Prices

	Jan. 27	Feb. 3		Jan. 27	Feb. 3		Jan. 27	Feb. 3
Balt. & Ohio	20	20	Am. Smelting	30 1/2	29 1/2	Inter. Paper	59 1/2	60
Can. Pac.	25	24 1/2	Am. Viscose	36 1/2	36 1/2	Nat. Distill.	19 1/2	19 1/2
N.Y. Cent.	20 1/2	20 1/2	Col. of Amer.	21 1/2	20 1/2	Sears Roebuck	61 1/2	61 1/2
Pennsyl.	17 1/2	17 1/2	Chrysler	59	59 1/2	Shell	81	83 1/2
Amer. Tel.	158 1/2	159 1/2	Gen. Elec.	93 1/2	93 1/2	Std. Oil of N.J.	77 1/2	77 1/2
Stand. Gas	12 1/2	12 1/2	Gen. Motor	64	63 1/2	U.S. Steel	41 1/2	41 1/2
United Corp.	5	5 1/2	Goodyear	57 1/2	58	Westinghouse	54 1/2	54 1/2
W. Union Tel.	41 1/2	43 1/2	Inter. Nickel	36	37 1/2	Woolworth	44 1/2	44 1/2

allowed to have them out for twenty-eight days' holiday a year. The Air Council has also announced some special concessions (such as furniture allowances) for RAF men serving overseas. Such concessions, designed to soften the rigours of service life, are badly needed. They will probably do as much as, or more than, straight pay increases to help to keep the regulars in harness.

A grimmer note was struck in the House when Mr Sandys, the Minister of Supply, announced that bacteriological experiments are to be carried out in Bahaman waters this year. These are not in themselves a novelty; research on germ warfare has been going on in this country for many years, but the empty spaces in West Indian waters offer more scope for investigations which no responsible government should hesitate to undertake. A bigger question mark hangs over the announcement that next year's estimates for Civil Defence are to be cut by £2 million. The cuts fall chiefly on equipment and materials, which are the only heads under which the civil defence authorities have been spending much money; so much equipment was bought to help Lancashire out of its 1951 textile slump that stocks are now overflowing. These estimates were probably mainly prepared before the recent Select Committee criticised the inadequacy of civil defence; although the burden of that committee's complaint was not that estimates were too low, but that expenditure never came up to them, the virtual standstill in the most important forms of civil defence expenditure seems bound to leave the civilian population with a distressingly naked look.

Voting Without Choice

THE 1,347 hand-picked candidates for the Supreme Soviet have duly polled 99 per cent of the votes in the Soviet parliamentary "elections." After an electoral campaign which sounded as if everything was in earnest, this was a useful reminder that the whole election is a mere formality. The candidates of the "Communist and non-party bloc" are selected from above, and once they have received official blessing need fear no qualms at the polls, since they are unopposed. The electors have the right, indeed the duty, to vote—but not to choose. The Supreme Soviet is supreme only in name and theory, while the real power in the country is wielded by

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (%) (1948 = 100)												
1938	118	82	77	90	193	132	76	101	89	81	67	64
1951	179	118	121	125	218	171	133	144	128	133	112	118
1952	181	114	116	131	231	170	124	147	130	133	110	135
1953	186	105	85	118	242	192	...	173	142	99	55	...
July	178	110	120	94	244	195	...	136	142	137	109	...
August	...	...	130	123	262	207	...	...	151	149	115	...
September	...	...	127	124	271	223	...	...	160	148	120	...
October	...	...	...	...	...	...	...	...	...	...	...	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	mn. £ T.
VALUE OF EXTERNAL TRADE (%)												
IMPORTS (c.i.f.)												
1938	50	1,922	135	3.84	505	1.2	3.45	0.94	118	99	174	12.5
1951	1,169	10,600	580	133.94	1,227	497.9	17.04	112.80	806	521	766	93.8
1952	1,163	10,252	550	132.64	1,350	432.9	14.35	120.48	709	520	746	129.7
1953	1,056	9,413	496	100.98	1,244	709.0	13.07	103.25	724	457	585	125.4
August	993	10,412	618	117.98	1,359	...	13.40	119.63	775	523	668	124.9
September	1,032	10,530	637	110.80	1,432	...	18.44	...	813	541	...	134.7
October	...	...	615	122.37	1,475	...	...	...	809	560	...	...
November	...	...	...	...	...	...	...	...	...	...	...	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	mn. £ T.
EXPORTS (f.o.b.)												
1938	50	1,806	128	2.55	468	0.9	2.02	0.88	87	65	154	12.1
1951	803	11,047	476	123.24	1,215	127.2	6.79	85.62	618	369	767	73.3
1952	900	10,212	483	118.04	1,409	149.9	8.41	72.02	667	337	674	84.7
1953	1,308	8,437	457	93.32	1,499	123.3	9.79	70.51	620	305	625	58.0
August	1,252	9,467	514	102.24	1,508	...	11.53	75.00	768	304	707	74.1
September	1,249	10,303	581	123.95	1,725	...	10.40	...	806	344	...	91.3
October	...	9,669	607	135.38	1,645	...	...	...	738	307	...	...
November	...	...	...	...	...	...	...	...	...	...	...	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	mn. £ T.
BALANCE												
1938	-20	-116	-7	-1.29	-37	-0.4	-1.43	-0.06	-31	-33	-20	-0.4
1951	-366	+447	-104	-10.70	-12	-370.7	-27.18	-27.18	-188	-153	-1	-20.5
1952	-263	-39	-67	-14.60	+59	-283.0	-5.94	-48.46	-42	-183	-7	-45.0
1953	+152	-976	-39	-7.66	+255	-585.7	-3.28	-32.74	-104	-152	+40	-67.4
August	+259	-945	-104	-15.74	+149	...	-1.87	-44.63	-7	-219	+39	-50.8
September	+157	-287	-56	+13.15	+293	...	-8.04	...	-7	-197	...	-43.4
October	...	...	8	+13.01	+170	...	...	...	-71	-253	...	...
November	...	...	...	...	...	...	...	...	...	...	...	...

VOLUME OF EXTERNAL TRADE (%) (1948 = 100)

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	mn. £ T.
IMPORTS												
1938	266	93	118	102	249	...	79	92	118	100	94	91
1951	212	122	153	126	208	...	117	143	150	133	128	160
1952	217	121	147	129	241	...	98	157	132	128	119	264
1953	185	125	...	128	261	...	112	163	159	118	...	217
July	198	117	...	105	257	...	92	145	150	119	...	215
August	185	...	...	125	284	...	96	170	167	138	...	215
September	...	...	...	122	304	...	...	...	171	144	...	...
October	...	...	...	...	...	...	...	...	...	...	...	...
November	...	...	...	...	...	...	...	...	...	...	...	...
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	124	111	107
1951	204	149	195	236	622	...	135	162	242	152	150	124
1952	202	137	186	208	670	...	164	140	256	140	133	180
1953	270	138	...	204	796	...	202	168	296	131	...	165
July	294	137	...	176	765	...	191	141	287	145	...	88
August	296	148	...	192	783	...	229	148	349	149	...	143
September	...	...	...	237	900	...	...	...	366	170	...	...
October	...	...	...	...	...	...	...	...	...	...	...	...
November	...	...	...	...	...	...	...	...	...	...	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade. Belgium includes Luxembourg.

Financial Statistics

EXCHEQUER RETURNS

For the week ended January 30th, there was an "above-line" surplus (after allowing for Sinking Funds) of £123,130,000 compared with a surplus of £137,440,000 in the previous week and a surplus of £108,947,000 in the corresponding period of last year, bringing the cumulative account to a surplus of £2,617,000 (compared with a deficit of £20,229,000 in 1952-53). Net expenditure "below-line" absorbed £10,708,000 which brought the total cumulative deficit to £320,727,000 (£497,674,000 in 1952-53).

'000	Estimate, 1953-54	April 1, 1952 to Jan. 31, 1953	April 1, 1953 to Jan. 30, 1954	Week to Jan. 31, 1953	Week to Jan. 30, 1954
Ord. Revenue					
Income Tax	1782.250	1219.928	1225.462	112179	112716
Social Security	127.000	89.700	90.200	6,200	6,400
Death Duties	460.000	123.450	134.900	3,800	3,300
Stamps	52.000	41.750	46.200	1,400	1,600
Profits Tax & E.P.T.	214.000	333.600	163.900	8,000	2,500
Excise Profits Levy	99.500	550	54.150	100	1,200
Special Contribution	1,000	1,670	1,070	50	150
Land Revenue	...	...	...	...	...
Total Inland Rev.	2435.750	1810.648	1715.882	131729	127866
Customs	1044.500	867.242	882.607	17,374	20,581
Excise	680.480	594.563	591.910	27,352	28,570
Total Customs and Excise	1724.980	1461.805	1474.547	44,730	49,151
Motor Duties	69.000	61.538	67.920	2,409	3,634
PO (net receipts)	2.685	...	400	100	100
Broadcast Licences	16.000	11,900	13,550	2,300	2,650
Sundry Loans	25.000	22.000	34,629	543	...
Miscellaneous	95.000	96.047	102,826	420	5,008
Total	4388.215	3463.961	3400.755	182131	188066
Ord. Expenditure					
Debt Interest	615.000	464.362	463.560	...	...
Payments to N. Ir.	48.000	34,247	39,493	...	2,868
Land Exchequer	10.000	9,712	8,755	59	91
Other Const. Fund.	3586.286	2948.887	2868.163	72,845	62,020
Supply Services	...	...	...	...	...
Total	4259.286	3487.288	3379.972	72,904	64,970
Banking Funds	...	26,972	27,164	290	300
"Above-line" Surplus or Deficit	20,220	+2,617	(10997)	123130	...
"Below-line" Net Expenditure	477,445	323,344	10,205	10,708	...
Total Surplus or Deficit	497,674	320,727	10,708	112,422	...
Net Receipts from:					
Tax Reserve Certificates	22,929	69,100	26646	14808	...
Savings Certificates	9,800	14,950	2,100	1,300	...
Defence Bonds	45,900	33,734	1,099	115	...

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
Jan. 31	2,950.0	1,484.2	250.6	...	4684.8
Oct. 31	4,538.1*		254.9	1.3	4,794.3
Nov. 7	4,535.2*		250.0	...	4,785.2
" 14	4,591.7*		253.9	...	4,845.6
" 21	4,604.2*		258.8	...	4,873.0
" 28	4,620.5*		254.0	...	4,875.1
Dec. 5	4,674.4*		342.5	...	4,916.9
" 12	4,726.3*		283.1	1.3	4,966.7
" 19	4,759.0*		266.9	1.0	5,026.9
" 26	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	245.6	...	4,945.7
" 23	3,090.0	1,669.9	245.1	...	4,846.0
" 30	3,060.0	1,442.6	243.4	...	4,502.6

* In consequence of official purchases of tender bills in connection with cash subscriptions to the Exchequer Stock Loan in October, it was impossible to calculate the dividend between tap and tender bills until all the bills purchased had passed their original maturity date.

THE MONEY MARKET

CONSIDERABLE revenue transfers made credit generally short in the week covered by the Bank return, but as the authorities stepped in with special purchases of bills no serious stringency developed. Such purchases were needed on a moderate scale on the Thursday of last week, and were made almost wholly through the banks; but on Saturday and Monday the amount required was relatively small. On Friday and Tuesday market supplies of credit were just adequate, whilst on Wednesday credit conditions turned very easy, with balances unlent at the close.

The market maintained its bid at £99 9s. 6d. for the £220 million of Treasury bills on offer at the tender, but as applications increased by over £38 million, to £382 million, its allotment fell from 58 per cent in the previous week to the unusually low level of 36 per cent. The offer at yesterday's tender remained at £220 million; if this is fully allotted there will be no excess of maturities next week.

The Bank return shows an increase in the active note circulation by £3.4 million, marking the first reversal of the post-Christmas reflux. Government securities in the banking department were down by £3.9 million; but this fall was wholly due to the fall of £12 million in the Treasury special account (which reflects the notional book-keeping connected with the receipt of defence aid). "Other" securities were up by £8.3 million and public accounts by £7.4 million, so that bankers' deposits rose by £5.8 million to £284.4 million.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	%	Discount rates	%
Bank bills: 60 days	2 1/2	Bank bills: 60 days	2 1/2
3 months	2 1/2	3 months	2 1/2
6 months	2 1/2	6 months	2 1/2
12 months	2 1/2	12 months	2 1/2
24 months	2 1/2	24 months	2 1/2
36 months	2 1/2	36 months	2 1/2
48 months	2 1/2	48 months	2 1/2
60 months	2 1/2	60 months	2 1/2
72 months	2 1/2	72 months	2 1/2
84 months	2 1/2	84 months	2 1/2
96 months	2 1/2	96 months	2 1/2
108 months	2 1/2	108 months	2 1/2
120 months	2 1/2	120 months	2 1/2

LONDON CLOSING EXCHANGE RATES

LONDON CLOSING EXCHANGE RATES													
Official Rates		Market Rates : Spot											
Feb. 3		Jan. 28		Jan. 29		Jan. 30		Feb. 1		Feb. 2		Feb. 3	
United States \$...	2.78 2.82	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81	2.81 2.81
Canadian \$		2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73	2.72 2.73
French Fr.	972.65 987.35	979 979	979 979	979 979	979 979	979 979	979 979	979 979	979 979	979 979	979 979	979 979	979 979
Swiss Fr.	12.15 12.33	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21	12.21 12.21
Belgian Fr.	136.95 141.05	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85	139.75 139.85
Dutch Gld.	10.56 10.72	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62	10.62 10.62
Gen. D-Mk.	11.67 11.44	11.69 11.70	11.70 11.70	11.70 11.70	11.69 11.70	11.69 11.70	11.69 11.70	11.69 11.70	11.69 11.70	11.69 11.70	11.69 11.70	11.69 11.70	11.69 11.70
Portuguese Esc.	79.90 81.10	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00	79.90 80.00
Spanish Kr.	24.37 24.68	24.51 24.51	24.52 24.52	24.51 24.52	24.51 24.52	24.51 24.52	24.51 24.52	24.51 24.52	24.51 24.52	24.51 24.52	24.51 24.52	24.51 24.52	24.51 24.52
Norwegian Kr.	19.19 19.48	19.36 19.36	19.36 19.37	19.36 19.37	19.36 19.37	19.37 19.37	19.37 19.37	19.37 19.37	19.37 19.37	19.37 19.37	19.37 19.37	19.37 19.37	19.37 19.37
	19.85 20.15	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00	20.00 20.00
One Month Forward Rates													
United States \$		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis
Canadian \$		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis
French Fr.		2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis	2 1/2 c. dis
Swiss Fr.		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis
Belgian Fr.		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis
Dutch Gld.		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis
Gen. D-Mk.		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis
Portuguese Esc.		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis
Spanish Kr.		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis
Norwegian Kr.		1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis	1 1/2 c. dis

The Trust Company of Cuba

HABANA, CUBA

CONDENSED STATEMENT OF CONDITION AS OF December 31, 1953

ASSETS		LIABILITIES	
Cash on Hand, in Banco Nacional de Cuba and Due from Banks	\$59,531,798.56	Deposits	\$138,212,017.97
Republic of Cuba Bonds	19,693,200.00	Acceptances under Letters of Credit	3,929,654.92
Municipal Obligations and Public Securities	277,500.00	Other Liabilities	325,269.81
Stock of Banco Nacional de Cuba	415,000.00	Capital Funds:	
Other Securities	4,767,723.74	Capital	\$3,000,000.00
Loans and Discounts	55,862,756.05	Surplus	5,000,000.00
Banking Premises	2,106,011.16	Reserves	700,502.29
Customers' Liability on Acceptances	3,929,654.92		8,700,502.29
Items in Transit with Branches	3,014,814.63		
Other Assets	1,568,985.93		
	<u>\$151,167,444.99</u>		<u>\$151,167,444.99</u>
DEPOSITS		CAPITAL FUNDS	
December 31, 1953	\$138,212,017.97	December 31, 1953	\$8,700,502.29
December 31, 1952	132,647,581.97	December 31, 1952	8,275,919.05

BOARD OF DIRECTORS

AGUSTIN BATISTA
President and Chairman of the Board

ANTONIO RANGEL
Chairman Executive Committee

JOSE L. DE LA CAMARA
Vice Chairman of the Board

GONZALO R. ARELLANO
President, Por Larrañaga
Fábrica de Tabacos, S. A.

JOSE M. BOSCH
President, Cia. Ron
Bacardí, S. A.

JOSE A. MESTRE
Assistant Manager

JORGE BARROSO
President, Cia. Azucarera
Central Cuba

EUTIMIO FALLA
Sucesión de L. Falla
Gutiérrez

LUIS RANGEL
Vice President

JULIO BATISTA
Secretary

PAUL MENDOZA
President, Banco Hipotecario
Mendoza

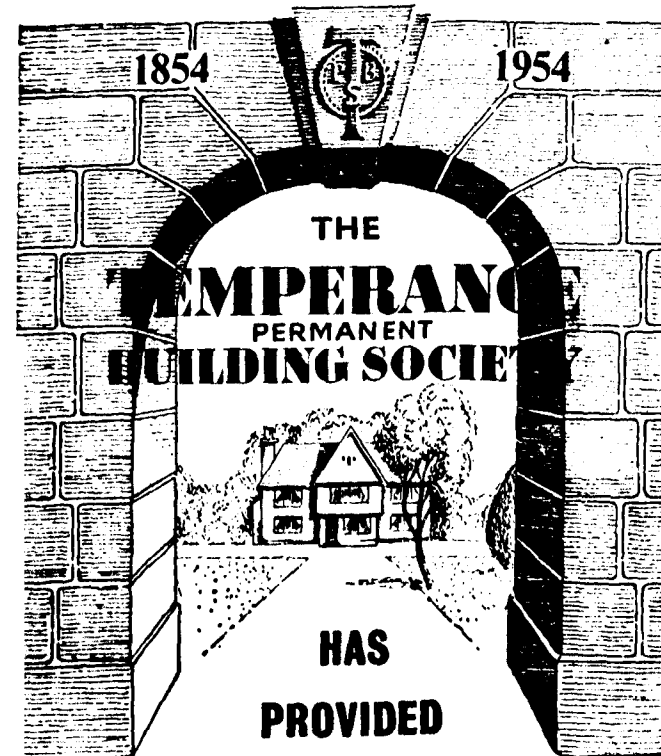
CESAR RODRIGUEZ
President, Almacenes Ultra
S. A.

EDUARDO BENET
Vice Chairman
Executive Committee

JUAN J. MARABOTTO
Vice President

HUMBERTO SOLIS
Secretary, Solis Entralgo y
Cia., S. A.

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watchmaking citizens?

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knows

that La Chaux-de-Fonds annually exports
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HEAD OFFICE: ZURICH, Bahnhofstrasse 45

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OVER 30 BRANCHES THROUGHOUT SWITZERLAND

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ReservesSwiss Francs 60,000,000

Total Assets.....Swiss Francs 2,064,572,934

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Total Assets	
£153,974,000	£181,183,000
Advances on Mortgage	
£30,039,000	£38,362,000
New Share Subscriptions	
£28,014,000	£35,435,000
Trustee Investments and Cash at 31st December	
£19,410,000	£23,478,000

2½% per annum interest on Share Investments.
Income tax paid by the Society. Equal to
£4.10.10 per cent. to investors subject to income
tax at the standard rate.

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INCOME TAX
PAID



1853

1953

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Head Office: 38 Bishopsgate, London, E.C.2.

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BAY HALL TRUST LIMITED

Summary of Directors' Report for the year
ended 31st December, 1953, and of the
accompanying Statement by the Chairman,
Sir Charles Hambro, K.B.E., M.C.

DIRECTORS' REPORT

The gross revenue amounted to £284,222 compared with £219,911 in 1952. After charging Debenture Interest, Taxation, Directors' Fees, Management and General Expenses amounting to £104,770 the net profit is £99,452. Adding £145,205 brought forward, the total available for appropriation is £244,747. The Directors have placed £250,000 to General Reserve and recommend a dividend of 7½ per cent., free of tax, which will absorb £76,035, leaving £118,712 to be carried forward.

At market prices on 31st December, 1953 (or where no market price existed at the valuations by the Directors at that date amounting to £282,913), the Share and Debenture Holdings and Foreign Government Securities had an aggregate value of £2,742,797 as compared with their book value of £2,291,846.

CHAIRMAN'S STATEMENT

The net profit of £99,452 compares with £99,845 for 1952, an increase of £2,007. Full provision has been made in the Profit and Loss Account for United Kingdom taxation in respect of all income to 31st December, 1953. Double taxation relief allowable to the Company amounting to 2s. 6d. in the £, has been taken into account in arriving at this provision. At the end of 1953, the value of the investments showed an indicated appreciation of £450,848 over book cost. Over 22 per cent. of the investments, taken at the valuations at 31st December last, are situated in the United Kingdom, Union of South Africa and other parts of the British Commonwealth. About 25 per cent. of the investments are in ordinary stocks and shares and the balance in fixed-interest bearing securities.

COMPANY MEETINGS

RADIO RENTALS LIMITED

INCREASED VOLUME OF BUSINESS

DEMAND FOR TELEVISION STEADILY SUSTAINED

MR H. F. HUNT ON THE CONTINUED PROGRESS

The seventeenth annual general meeting of Radio Rentals Limited was held on February 2nd at Grosvenor House, Park Lane, London, W.1, Mr H. F. Hunt (the chairman) presiding.

The secretary (Mr J. L. Wilkie, CA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:

In presenting to you the directors' report and the accounts of the group to August 31, 1953, it gives me great pleasure to report an increased volume of business, and a considerable degree of development, resulting in an increased profit.

RECORD NUMBER OF NEW SUBSCRIBERS

The profit of the group for the year under review, after providing for all charges, other than taxation, amounted to £536,440, an increase of £172,262 over that for the previous year. This increase is attributable mainly to the growth in the number of the company's subscribers during the year, which was greater than ever previously achieved in the history of the company. Public interest in television was very considerably stimulated by the Coronation of Her Majesty Queen Elizabeth II, and as a result, business in the summer months was much heavier than could normally have been expected. I am happy to be able to tell you that, since the Coronation, the demand for television has been very steadily sustained.

Another factor contributing to the increased profit, is that in a very considerable number of areas in which we are making television services available, the number of subscribers per branch has reached a level at which television renting becomes profitable.

Having now had several years' experience in the renting of television sets, we have been able slightly to reduce the rate of depreciation on our instruments, so that it is now only a little higher than the rate allowed to us by the Inland Revenue authorities for taxation purposes. Even so, the amount charged for the year is no less than £689,313. In this connection you will note that the sum of £47,955 has been credited in respect of provisions for depreciation in prior years, now no longer required.

GRIEVOUS TOLL OF TAXATION

The net profit attributable to the members of your company, after charging all expenses including taxation, totalled £125,362, an increase of £25,469 over that for the previous year. In considering this net profit, the most relevant factor is, of course, the grievous toll of taxation levied on your company in this particular year. Excess profits levy, for which the group is liable at the maximum rate, calls for no less than £104,144, making the total taxation liability £403,421, which is over 75 per cent of the profits earned. As I pointed out last year, excess profits levy operates most unfairly on a developing business such as ours. The only consolation is that it has now

been recognised by the Government as a bad form of taxation. It ceased to operate, as you all probably know, on December 31st last.

During the year under review, as I have already told you, the attention of the public has been increasingly focused on television. It is also very satisfactory to note that during the year our growth in the number of our radio subscribers was greater than that achieved during any of the past few years.

SUBSIDIARIES' ACTIVITIES

All the subsidiary companies operated at a profit for the year under review, except Rentevision, Limited, which has not commenced to trade, and they all played their part in contributing to the earnings of the group. Tribute is especially due to our factory at Bradford, operated by Mains Radio Gramophones, Limited, which not only continued to supply the group with sets of the highest quality at economic prices, but also increased their scale of production to a most creditable level.

Burgot Rentals, Limited, the company renting burglar alarms, made continued progress during the year, and I am happy to tell you that its services are well regarded by those most concerned with crime prevention and detection in this country.

Turning now to the profit and loss account, the only item to which I shall call your attention is of staff bonus, pension scheme and staff welfare fund. We are very fortunate in having a co-operative team of employees, and I am certain that the main increase under this heading, which consisted of a Coronation bonus of a week's wages to every member of the staff, will meet with your full approval.

NEW BRANCHES

Apart from meeting the greatly increased demand for television in all areas already served by the group, our most pronounced progress has been in the opening of new branches, in an effort to obtain fuller national coverage. Since I last reported to you, we have opened branches in several towns including Hull, York, Grimsby, Merthyr Tydfil, Aberdeen and Wallasey, and have obtained better premises for some older branches.

I would now like to deal with the matter of appropriations. Your directors propose to increase the rate of ordinary dividend for the year to 40 per cent by recommending the payment of a final dividend of 30 per cent. Your directors also propose that £100,000 be transferred to general reserve, so bringing it up to £288,319.

Trading in the current financial year to date shows a reasonable improvement as compared with the year under review.

COMMERCIAL TELEVISION

I feel I should make some short reference to commercial television. Naturally, we shall endeavour to provide the necessary adaptors to enable our existing and future sets to

receive the alternative programmes, when they become available. This development will, I am sure, result in increased business for your company.

It now only remains for me to record the thanks of the board and the shareholders to the staff of the group for their efforts during the past year. For many years we have been fortunate in the group in having "a happy ship" and I am sure that it is your wish, as well as mine, that this will long so continue.

The report and accounts were adopted and Mr A. D. Smith, FCIS, was re-elected as a director.

Mr H. F. Hunt told the meeting of his intention to retire after having been chairman of the company for 21 years, including the years before it became a public company, but intimated that he was continuing in the service of the company as financial adviser. Mr Ferring-Thoms paid tribute to Mr Hunt's service to the company as chairman and the meeting closed with a vote of thanks to the chairman and the board, proposed by a shareholder.

KOLOK MANUFACTURING COMPANY LIMITED

(Manufacturers of Carbon Papers,
Typewriter Ribbons, Stamp Pads
and Inks)

REASSURING PROSPECT

The forty-fifth annual general meeting of Kolok Manufacturing Company Limited was held on January 29th at Tottenham, N.17. Mr E. S. Dumont (Chairman and Managing Director) presided and said:

The net profit of the company for the year ended August 31, 1953, is £111,677 and the net profit of the group is £122,760. Whilst this represents a reduction in the group profit of £18,956, it is a far smaller reduction than I anticipated at the commencement of the year when we were faced with very difficult conditions and a recession in trade.

During the latter half of the year under review there was an improvement in the demand for your company's products and the improvement has been maintained. The prospect for the current year is therefore reassuring, although profit margins are being affected in some cases, particularly in export markets.

The financial strength of the group has been well maintained, the surplus current assets over current liabilities amounting to £294,276 as compared with £287,104 for the preceding year.

The group value of the stock in trade has been reduced as compared with the preceding year by £59,648, which is reflected to some extent in the increase in cash including tax reserve certificates.

Taking all the circumstances into consideration, your directors feel able to recommend a higher dividend distribution for the year under review. The increase is represented by the proposed final dividend of 22 per cent on the present Ordinary share capital of £125,000, compared with the final dividend for the preceding financial year which was 20 per cent on the then issued Ordinary share capital of £100,000.

I express my cordial thanks and appreciation to all in our service for the loyal and excellent manner in which they have carried out their duties, and to my colleagues on the board for their encouragement and support.

The report and accounts were adopted.

GOLD & BASE METAL MINES OF NIGERIA

INCREASING COLUMBITE PRODUCTION

The nineteenth annual general meeting of Gold & Base Metal Mines of Nigeria, Limited, was held on January 28th in London.

Major General W. W. Richards, CB, CBE, MC (the chairman), in the course of his speech, said:

Members will no doubt be interested to have some guide as to the result of our operations for 1953.

As already published, production totalled 552 tons of tin concentrates and 93 short tons of columbite, both having an average grade of over 73 per cent.

As regards the financial results for the year, it is estimated that, provided the price of tin does not vary considerably from the present price for the next three or four months, our working profit, before depreciation, interest charge, etc., will be somewhat less than for the previous year, but this could only be expected in view of the heavy fall in the price of tin and the reorganisation in the company's operations previously referred to by me in Nigeria during the year.

An estimate of the position for 1954 is difficult to make, but our target is to increase columbite production by 50 per cent.

MINES DEVELOPMENT SYNDICATE (WEST AFRICA)

I would like to refer to Mines Development Syndicate (West Africa), Limited, who own the lead zinc deposits in Southern Nigeria. It is expected that a limited underground development programme will soon be undertaken from existing shafts commencing initially at the Ameri Lode. The object of the programme will be to prove part of the higher grade ore reserves already indicated by diamond drilling. It is confidently expected that the programme covering both Ameri and Nyeba will be completed by the end of 1955 and will place the Syndicate in

a position to raise the additional finance necessary for production.

INCREASE OF CAPITAL

Members will be asked today to pass a resolution to effect an increase in the authorised capital of the company. This has been done for one reason only—the flexibility which unissued capital gives to a company.

I would assure you, however, that there is no intention at present of issuing this additional capital.

The report was adopted and a resolution passed increasing the capital from £600,000 to £1 million by the creation of 3,200,000 shares of 2s. 6d. each.

TANGANYIKA CONCESSIONS, LIMITED

The annual general meeting of Tanganyika Concessions, Limited, was held on January 28, 1954, in Salisbury, Southern Rhodesia, the Right Honourable Sir Ulick Alexander, GCB, GCVO, CMG, OBE, the chairman, presiding.

Addressing the meeting, the chairman said that while the developments in which their associated company, the Union Minière du Haut-Katanga, had been engaged in the Belgian Congo since the war were well known to stockholders—and indeed the profitability of this enterprise was clearly reflected in the profit and loss account of their company—what was perhaps less well known was the development programme which their company had at the same time been carrying out in Angola with the Benguela Railway Company.

Few would doubt the importance today of the development of Central Africa, a development which had grown rapidly of recent years and showed every indication of increasing at an even greater tempo in the near future. The Benguela Railway was clearly destined if only by its geographical position, to play a major part in this development, and it was with this in mind, as well as the immediate tasks of serving the needs of Angola and the Belgian Congo, that their board had formulated their policy in regard to the railway. The programme had indeed

been impressive, and one of which they felt they were entitled to be proud.

The financing of this great development in Africa had not been easy, but their board believed that it would provide in the reasonably near future an adequate return to their company for the outstanding enterprise which it had shown.

The report and accounts were adopted.

MICHAEL NAIRN & GREENWICH, LIMITED

IMPROVED RESULTS

The thirty-second annual general meeting of this company was held on January 28th at Kirkcaldy, Sir Robert Spencer-Nairn, Bt, the chairman, presiding.

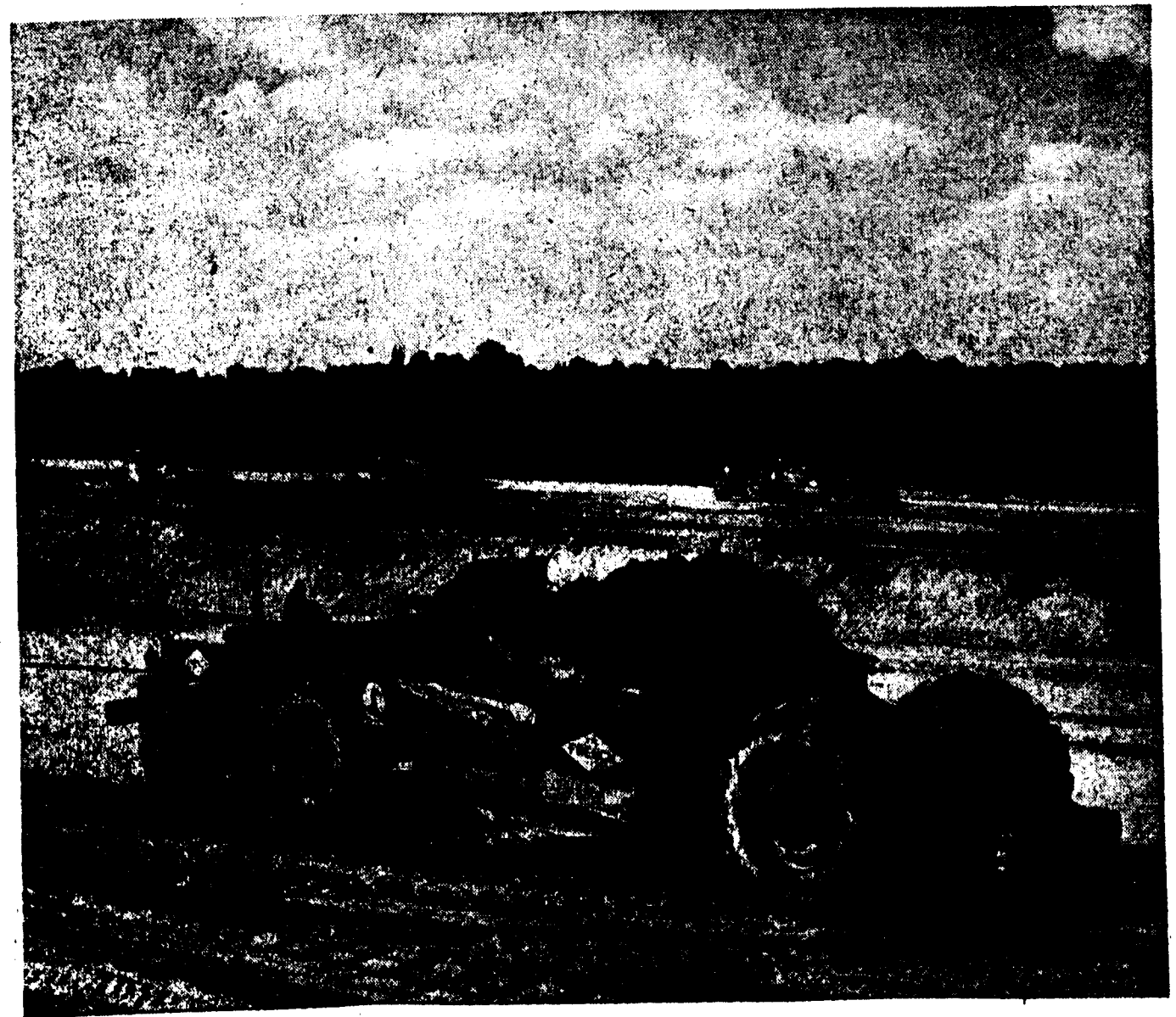
The following are extracts from his circulated statement:

The net profit attributable to our group for the year ended September 30, 1953, amounts to £327,155, which compares with £195,712 for the previous year and shows an increase of £131,443. The board recommend a final dividend of 12½ per cent, less tax, which makes a total of 15 per cent for the year. Stockholders will be gratified to see that the results are a material improvement on those of last year.

Trading in the early part of our financial year was disappointing, particularly in our export markets. Sales, however, in the latter part of our financial year have been sufficient to offset any diminution in the earlier part of the year. The future of our industry at home should benefit from the general increase in home building, which, encouraged by the present Government, is expected to follow the easing of restrictions on private building, while the freeing of soft timber from control and the anticipated early return to wood floors in houses should result in an increased demand for our products.

Problems, both economic and political, remain and dictate caution in assessing the possible extent of our activities in the coming months. The Nairn organisation continues well capable of making the most of whatever conditions may be encountered.

The report was adopted.



PROFIT by EUCLIDS

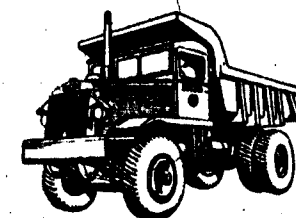
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Applications, or requests for further information concerning the appointment, may be addressed to the Secretary of the Bank at 38 Bishopsgate, London, E.C.2.

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PRINCIPAL ASSISTANT-SECRETARY required by the Scottish Council (Development and Industry). The post will be a responsible one requiring adaptability and resource. Administrative and/or business experience essential. Salary according to qualifications. Applications with not more than three relevant testimonials and specifying three persons to whom reference may be made, should be addressed to the Secretary, The Scottish Council (Development and Industry), 1 Castle Street, Edinburgh, 2.

EXPORT MARKET ANALYSIS ASSISTANT required by Ford Motor Company Limited, of Dagenham, Essex. Must be young and possessed of initiative as well as enthusiasm for his subjects. Economics graduate preferred. Knowledge of agriculture or tractor usage a useful asset.—Reply to Salaried Personnel Department, quoting reference KMR.

AN Executive Director required to assist with the management of an old-established Public Company in the manufacturing field. The Company employs approximately 2,000 personnel. Applicants must have had experience of higher management and control.—Full particulars to Box 442.

14 NEW TOWNS. Latest facts, figures and comments in special issue of "Town and Country Planning" journal for planned as well as planners. 1s. 6d. from 28 King Street, W.C.2.

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MANAGEMENT CONSULTANTS are required by the Wallace Attwood Company. Applicants between the ages of 30 and 45 must possess a University degree or technical equivalent in engineering and have held responsible executive positions. A thorough practical and current knowledge of the organisation and routines of industrial concerns is essential. Substantial salary and excellent prospects are available. Replies in confidence to Chantrey House, Eccleston Street, S.W.1.

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Lord Beveridge

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are disturbing: this year, 1954, he says, is crisis year for

this part of the Welfare State. His articles should be read by everyone, for

they concern us all. They begin on Sunday next, exclusively in THE SUNDAY TIMES.



THE SUNDAY TIMES

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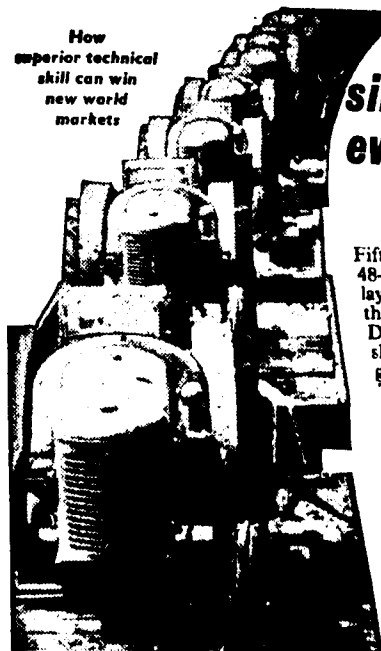
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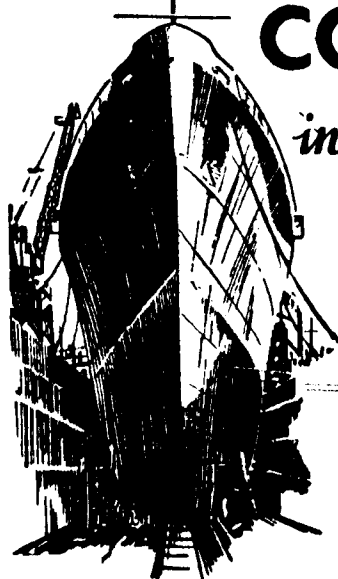
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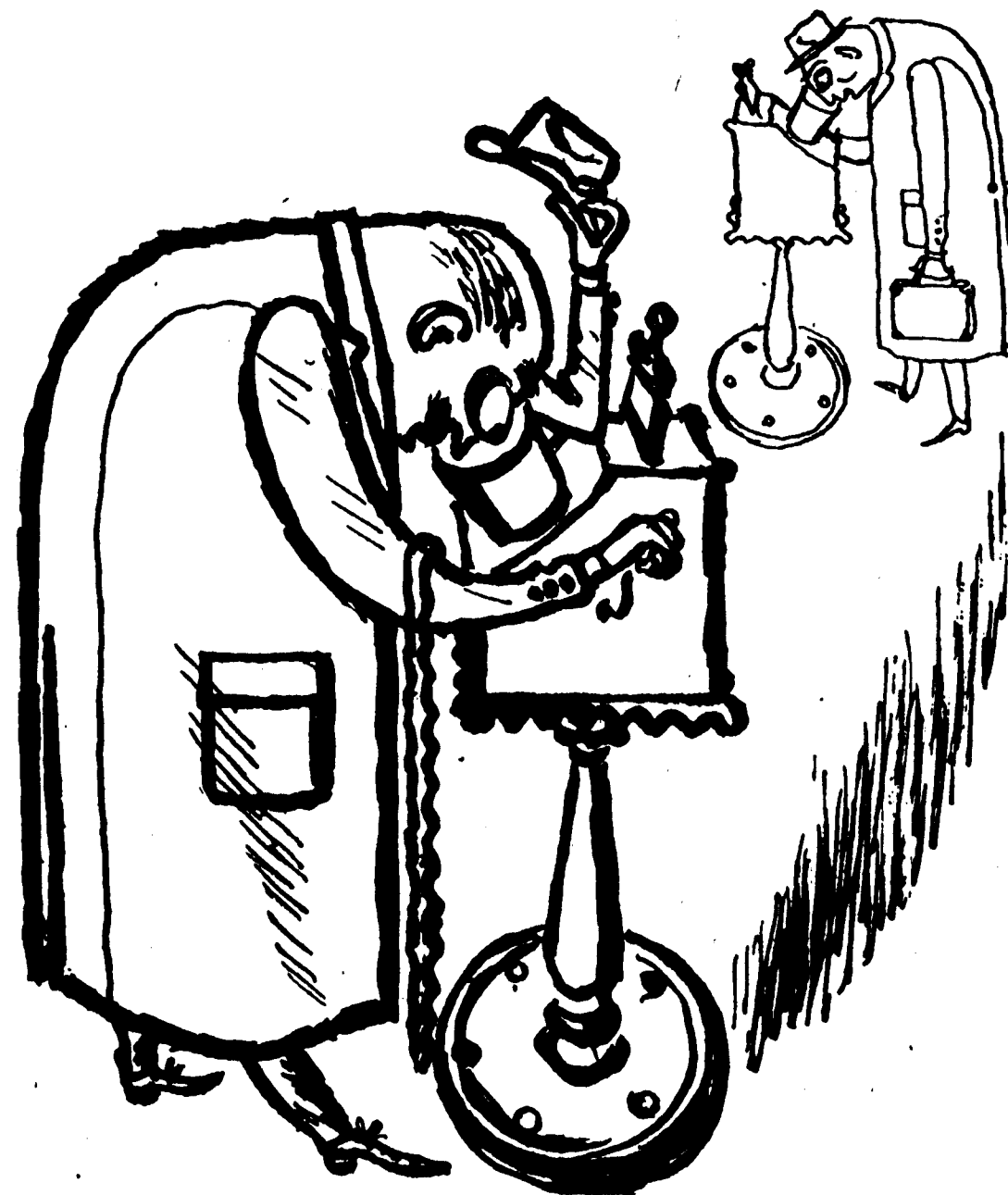


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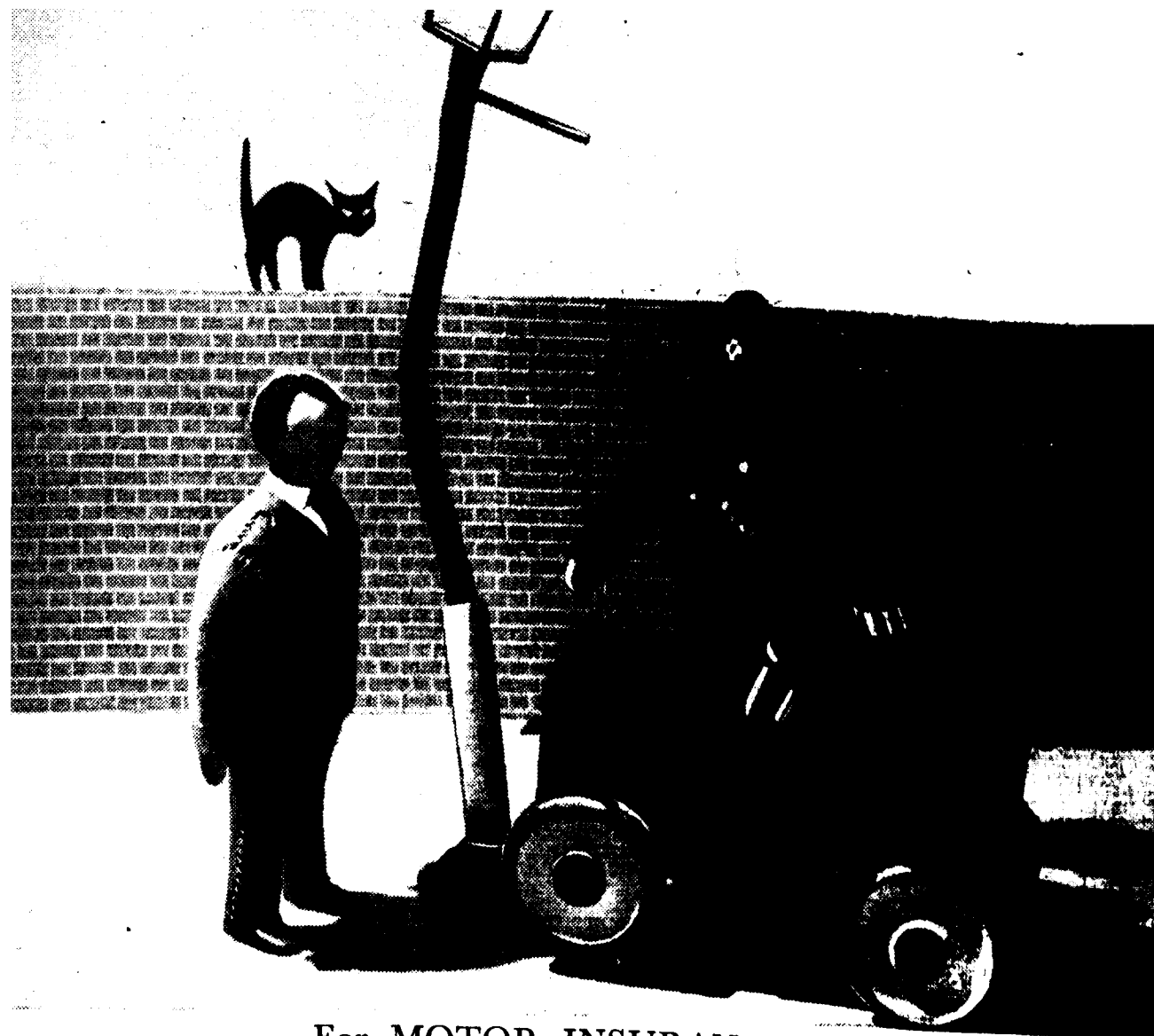
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FEBRUARY 13, 1954

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Mr Butskell's Dilemma

THE Opposition is turning its principal guns to bear on the Government's domestic economic policy. With the Budget only two months ahead this is a perfectly proper thing to do. But it is important—both for it and for the country—that it should fire at the right sector of the line and use the right ammunition.

At the moment some of its backbenchers are urging it to fire in the 'wrong direction, with grave menace to its own life and limb. At last week's meeting of the Parliamentary Labour party a demand seems to have surged up from the powder monkeys that the party should exploit the unrest that is said to exist in industry at present; and it is reported that Mr Attlee gave the nod to this strategy. Probably it was not a very happy nod, and certainly his senior lieutenants are not eager to follow it. For the more responsible Labour leaders recognise that—quite apart from considerations of the national interest—an attack in this sector could only be supported by two types of ammunition; and one of these is blatantly dud, while the other is little less so.

The really dud argument, which is already being used by some of the rank and file (though not by their leaders), is that the workers are justly rising in wrath because they are worse off under the Tories than they were under Labour. This argument is bound to backfire. The Conservatives can gleefully respond that from 1946 to 1951, while Labour was in office, annual average wage rates rose by 24 per cent and retail prices by 32 per cent; in the first two years during which the Conservatives were in office wage rates rose by 13 per cent and retail prices by 10 per cent. Under both governments, earnings rose much more sharply than either wage rates or prices. Of course, the slightly greater rise in the workers' real income under the present government has not been at all due to Tory benevolence, and it has only been marginally due to the Tories' marginally wiser economic policy. The principal reason has been that the present Government has been fortunate in the turn of the terms of trade. But this is a difficult point for Labour to get across.

The second argument that Labour is being driven to deploy, however, is that the Tories have not adopted a policy of fair shares in distributing this benefit from better terms of trade. With a great deal of statistical juggling (and leaving the reduction of income tax out of account) it can be suggested that the rise in net dividends last year was of the order of 10 per cent, while the increase in wage rates (if calculated from December to December, and not from annual average to annual average) was of the order of 3 per cent. This argument may make a mild plop among those most ready to accept it. But figures given on page 445 of this issue (in an article which examines some of the other statistics behind wage claims) suggest that the Tories will be very weak debaters if they do not throw it back again before it explodes. Dividends have only risen by a quarter as much as earnings since 1938; and if the whole of the rise in net ordinary dividends last year had been distributed to the workers instead of to shareholders, it

could not have pushed basic wage rates up by more than about 5½d. a week.

If the Opposition does give this line of argument an impassioned airing on the floor of the House, it is therefore very likely to be made to look silly. Indeed it may help the Tories just when they need help most. For the Government must know that the wage increases granted in the past two months may have an adverse effect—quite possibly an obviously adverse effect—on Britain's economic position in the course of this year. The wage settlement that prevented the railway strike last Christmas, which was as wildly popular as the Munich settlement was on the immediate morrow of its signing, may in six months' time be as widely regarded as a mistake as Munich is now. If Labour does not tie itself too closely to the unions' demands, the blame for any such trouble can be laid wholly on the Government.

Does this mean that the Opposition cannot derive any electoral advantage from any economic policy at this time? Indeed it does not. Its hour of opportunity may now be striking. It is difficult to believe that external economic events will go so wonderfully well for the Government in 1954 as they did in 1952 and 1953. If so, and provided Labour's hotheads do not muff their party's chances, it is the Conservatives who may soon find themselves with an economic crisis to be blamed for. This technique of opposition, of lying low and waiting for a possible crisis, does not sound very coherent, and it may be said that it cannot possibly be constructive. But it can be made both. The right technique of economic opposition at the moment can be summed up in a slogan. The slogan is that the Opposition should keep itself on the constructive and sunny side of Mr Butskell's dilemma.

★

Mr Butskell is already a well-known figure in dinner table conversations in both Westminster and Whitehall, and the time has come to introduce him to a wider audience. He is a composite of the present Chancellor and the previous one (any resemblance to certain other historical characters, such as Sir Robert Peel—or Sir Robert Boothby—is purely imaginary). Whenever there is a tendency to excess Conservatism within the Conservative party—such as a clamour for too much imperial preference, for a wild dash to convertibility, or even for a little more unemployment to teach the workers a lesson—Mr Butskell speaks up for the cause of moderation from the Government side of the House; when there is a clamour for even graver irresponsibilities from the Labour benches, Mr Butskell has hitherto spoken up from the other.

This admonitory role in Parliament is only one facet of his composite personality. It is in his policy-making—as distinct from policy-moderating—role that he runs into his perennial dilemma. He is willing to bolster up demand when there is slack in the economy, or to trim down demand a little (a very little) when there is a danger of inflation. But—and this is the secret—he has

not yet shown himself to be a really strong character in the face of adversity; political pressures stand in his way. If ever external economic events make it necessary to cut down demand very ruthlessly, he is quite likely to run away; and the result is apt to be an economic crisis, which redounds to the disadvantage of the half of him that is in office and to the advantage of the half that is not.

★

The Mr Butskell who is in office at the moment has been extraordinarily lucky. He took up his duties at a time of grave economic crisis, used the one weapon that his other half had shunned for political reasons—the weapon of Bank rate—and found that it worked even more effectively than he, his civil servants or (let us admit it) even the previous Mr Butskell's critics had ever expected. Partly as a result of this, but partly also as a result of a fall in import prices, he was able to introduce a mild first budget and a very popular second one. During this period his other half across the floor complained that more resources should have been devoted to investment and less to consumption (which was very sensible), but also that the food subsidies should have been cut less abruptly and that commodity markets should have been opened more slowly (which was really rather silly).

Towards the end of 1953 a new danger appeared on the horizon: the danger of American slump. The Mr Butskell in office has reacted to this danger by a lowering of Bank rate and certain tentative measures to pave the way for more employment-creating trade within soft currency areas. These measures have been moderate and sensible, and the sterling area has ridden through the mild American recession that has already occurred with surprising *sang froid*. In the face of this danger, the other Mr Butskell across the floor has restricted himself to newspaper articles, advocating that if the recession turns into a real slump Britain should adopt a floating exchange rate for the pound, impose stricter controls over imports from the dollar area and attempt a further extension of soft currency trade. He has been unfairly criticised for this; if the slump really did come, the Mr Butskell who is at present Chancellor would almost certainly have to resort to these measures, although he would not find them very popular.

But there is now a third possibility. In the last few weeks the stock markets in America and Britain have decided that there is not going to be an American slump. They are not necessarily good judges; they have not always been in the past. But the mere fact that they are so confident means that business men may now be less ready to cut down real investment at the first sign of trouble. As a result, to make a rash generalisation, the world seems to be sitting on a blunter razor edge than it seemed to be only a few weeks ago. Moreover, the Council of Economic Advisers in America has put forward a quite arguable thesis that America's recession in the past few months has been

due to a drop in swollen inventories towards a level more appropriate to the current level of sales, and that this drop has now gone nearly as far as it had to go. Once again this thesis is of some importance in its own right; if only because some American business men may believe it and draw confidence from it.

On balance, therefore, the best guess—it is only a guess—at the prospect before the world economy for 1954 is that American production may continue to bump downwards a little for another few months, and then start slowly to bump up again. If so, the prices of the commodities that Britain imports, which are already adjusted to a graver level of recession than has in fact occurred, would be likely to rise against us; but the prices of the manufactures we sell, which have to face growing German and Japanese competition, would probably still be held down. In short, the terms of trade, which have been the Conservative Government's most powerful ally to date, may be about to turn traitor. If this happens, the wage inflation that has already taken place this winter—and which may price some British goods out of these very competitive

world markets—will be seen to have had very grave consequences indeed.

The one safe conclusion from all this is that the Mr Butskell now in office ought at the moment to be a more worried man than any effective Mr Butskell now in opposition. It is very easy to see what tactics the latter should adopt. First, he should be writing newspaper articles advocating that, if a slump comes, the Government should adopt all the measures that everybody knows it will have to adopt in that eventuality; and he is doing this, very eloquently. Secondly, and more important, however, he should be inveighing against any measures (such as rumours of a new cut in Bank rate) that might increase spending, and quite specifically saying nothing that will lead the public to suppose that he is in any way an abettor of the rise in wages and costs now creeping across the British economy. That stigma should be left with the Government, where it belongs. The next few weeks will show whether the Opposition will seize this chance of golden silence; or whether, in a Brown fury, it is going to throw the opportunity for constructive Butskellism away.

The Italian Danger

ALTHOUGH Russian efforts to gain control of Germany seem to have been fairly and squarely exposed in Berlin, the same cannot be said of Communist infiltration in Italy. Yet although the rich resources, the strategic position and the dynamic qualities of the German people render them a more important prize than their Latin neighbours, the loss of Italy to the western cause could compensate the Russians quite heavily for setbacks they may suffer in Berlin. If the four power conference represents one more phase of a carefully staged battle, fought from prepared positions on the main front, Italy may be likened to the scene of an outflanking movement; the object of a possible left hook which might one day shake and stun Western Europe. In political terms, a swing over of the Italians to the Communist side would convert their country into a symbol of defeat for the free world and so, ironically enough, give Italy a greater importance than any it now has as a member of the Nato team.

Is such an event possible? The news from Italy is far from good. A strong tide is unquestionably running in the Communists' favour and a new note of real alarm has lately been heard in both London and Washington. No one seriously argues that Italy may become Communist tomorrow. But it does no good to blink the fact that, whether Signor Scelba is now given a vote of confidence or not, the prestige of parliamentary government has suffered a sharp decline since the general election of last June. Inversely, Communist chances of winning power by fair means or foul within, say, the next two years, have lately

increased. The political trend, it is true, has been towards extremism of the Right as well as the Left, but it is the Left that is very much the stronger; it was the gain by the Left of 1½ million votes, giving it a total poll of 10 million, that was the main surprise at the last election. It would be wrong to jump to the conclusion from the parliamentary frustrations of the last few weeks in Rome that there is a serious and immediate possibility of Italian democracy collapsing; but it would also be wrong to ignore the possibility, and there are two broad questions which should be asked and answered. What chance remains that Italy may yet settle down under a stable democratic regime comparable with that of the De Gasperi era from 1945 to 1953? How in practice might the Communists achieve power?

The difficulties that have been experienced in forming a government since last year's elections—particularly under Signor Pella, who for a time succeeded, and under Signor Fanfani, who has just failed—make one thing clear. The only chance of organizing a lasting democratic majority, with the Chamber composed as it is at present, lies in a coalition of the four central parties: the Christian Democrats allied with the Republicans, the Liberals and the right-wing Democratic Socialists. These four parties, which broke with one another after the June elections although they had fought a joint campaign, could have together a majority of 16. And this is the only majority open to the centre parties. It has not so far been attainable because the Democratic Socialists, feeling their support in the country ebbing away through their association with an

unprogressive, predominantly Christian Democrat policy, have refused to join. To-day, if Signor Scelba can keep these Socialists with him, he may succeed in staying in power. If he does not, he will fail; and if he fails, the chances of anyone else like him succeeding will be smaller than ever.

★

The only two realistic alternatives to a central coalition seem to be either the formation of a coalition based on Monarchist—and perhaps neo-Fascist—support of the right wing of the Christian Democrat party, or the holding of fresh elections. A right-wing coalition of this kind would in the end do more harm than good to democracy in Italy. It would open the way to an extreme form of nationalism, which would become reactionary in home affairs and make Italy an increasingly awkward partner abroad. It would almost certainly provoke violent Communist opposition which would, at the least, undermine the Italian economy through industrial and agrarian unrest. Fresh elections, on the other hand, seem likely to strengthen the Left—the Communists and the fellow-travelling Socialists of Signor Nenni—rather than the centre.

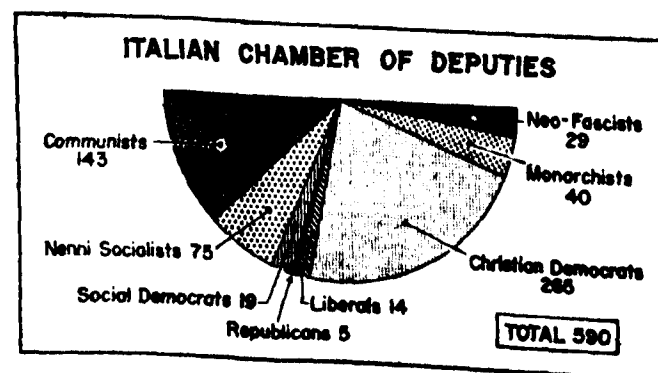
If there is really a chance of the Communists coming to power in Italy during the next two years, how would they be likely to accomplish it? No country has so far simply voted itself Communist by a genuine majority in free elections. Even though the Italian Communist party is the largest anywhere outside the Sino-Soviet bloc, it could scarcely hope to win an election outright unless it could tap some entirely fresh source of strength, such as the solid vote of the impoverished South. This is still unlikely, since it is precisely from the South that the Right has always drawn much of its following.

The Communists are more likely to win power either through another big increase in the vote of the fellow-travelling Nenni Socialists; or by repeating some form of electoral manoeuvre like that by which Communist members of the scrutinising boards in the last elections managed to secure the technical invalidation of no less than 1,300,000 votes, most of them cast for the central coalition; it was, in fact, Signor De Gasperi who won the last election, though victory was allowed to slip from his grasp. While it is unlikely that the Italian Communists could batter their way to power like the parties of Eastern Europe, as there is no Red Army following on their heels, they might, on the other hand, be able to exploit any further decline of democratic prestige as Hitler did in Germany in 1932. Then it was the Communists who split the opposition to German Fascism; today it is the Fascists who split the effective opposition to Italian Communism.

★

The success or failure of the latest attempt to give Italy stable Government will be crucial. This is not France, where the situation is nearly

always serious but seldom desperate. In Italy a dangerous muddle has been going from bad to worse. Signor Scelba, for so long Signor De Gasperi's Minister of the Interior and famous as the architect of the new republican police force, is a democrat with few illusions. He comes from the centre of the Christian Democrat party and, in his view, social and economic programmes are not enough; he also believes that Communist—or Fascist—force must be met with force. It is hard to see what the little group of Democratic Socialists under Signor Saragat would hope to gain if they withheld their support from him; for, if middle-of-the-road government were to fail in Italy, they would in any case have no future. One reason, on the other hand, why they have been readier to serve under Signor Scelba than under the more leftish Signor Fanfani is that the effect of the prolonged political crisis has been to rally the Christian Democrats into making greater concessions to them, in terms both of seats in the cabinet and of measures of policy.



This, then, is the position which has brought the American Ambassador, Mrs. Luce, back to Rome at short notice from Washington, and which has caused some dismay in London. Nothing irretrievable has yet happened; but the fact that it may happen during the next few months, if nothing can be done to stop it, makes an intelligent and sympathetic attitude by other western nations an urgent necessity. It is difficult to point to specific things they can do; but two things should be constantly borne in mind when considering Italian affairs. One is that the intangible often has an effect on Italian public opinion out of all proportion to its apparent importance to the outside world. The other is that, if a democratic government in Rome is to be helped with a diplomatic success, Trieste has obvious priority.

In Italy itself, it is a curious twist of history which has given Signor Saragat, who lost heavily in the last elections, the power perhaps to alter the destiny of his country. After refusing three times to continue support of a Christian Democrat prime minister, he now appears to have taken the view that however right he may have been in calculating that his party's advantage lies in remaining outside the government, he must now put patriotism before party. If democrats are to fight extremists of right and left successfully, this is a lesson they must all sooner or later learn.

Outlook for West-East Trade

THE recent and fashionable upsurge of enthusiasm for trade with the Soviet bloc follows a year during which trade through the iron curtain reached the lowest level since the war. From all sides the pressure is insistent; even the Americans (if Mr Stassen's and the Randall Commission's views can be considered representative) seem now to be more favourably inclined. And a number of spokesmen in this country recently emphasised Britain's desire to expand trade with the Communist bloc in goods of no strategic value. By all accounts the Russians, and their Eastern European governments, are eagerly seeking more foreign trade. And Moscow has been dangling before the eyes of British business men—and the Berlin conference—the prospect of orders worth £400 million.

Why is there this optimism about East-West trade when the record during 1953 was so poor? There are two main reasons: First, the tailing off of dollar aid, coinciding with the fear of an American recession, has prompted many countries to explore new export outlets, among them the Communist countries. Secondly, there are hopes, as yet unproved, of a more liberal Soviet policy in foreign trade raised by Malenkov's speech last August. It would be rash, as yet, to assume that these signs necessarily point to a really substantial and permanent increase in East-West exchanges. But if there is now more good will on both sides, what is holding back trade?

Many like to put all the blame on the allied strategic controls; but it is a mistake to think that they are the only restraining factor. Last year, for example, the volume of East-West trade fell, at a time when the strategic controls were becoming, on balance, less rather than more restrictive. Moreover, the experience of such countries as Sweden and Switzerland, which do not formally subscribe to the restricted allied list, is exactly parallel to that of the other western countries. It is clear that the low level of East-West trade was mainly the result of the internal economic policies followed in the countries of the Communist bloc. They were reflected in the disappearance from western markets of the eastern grain surplus, which formerly was one of the main props of trade between East and West. For example, grain supplies from the Soviet Union to Britain fell from a total value of £35.7

million in 1952 to only £3.6 million in 1953. That there have been, and still are, serious shortcomings in the agriculture sector of the Soviet and satellite economies has been admitted by Khrushchev and other Communist spokesmen. Moreover, the new policy of giving more to the consumer is bound to cut still further into the former exportable surplus. And there is no indication as yet of any change in the Soviet bloc's policy of self-sufficiency, which already directs more than three-quarters of its members' trade into internal channels. All these factors contribute to the overriding fact of the vanishing surpluses.

Because 1953 was a bad year for the Communist bloc's foreign trade it does not of course necessarily follow that East-West trade is a dead letter. The low level of commodity exports may be only temporary; the new agricultural measures might be quickly effective.

Furthermore, though the old staples of the East's exports may permanently diminish, there are signs already of more diversified exports, including such things as oil, pig iron, motor cars and so on, becoming available. The Soviet Union has also substantial quantities of gold to finance its import requirements, and there have been clear signs in London and elsewhere of its readiness to use them. The fact remains, however, that solid evidence such as the trade figures for 1953 does not justify unbridled optimism for East-West

trade. At present there is too much hope fanned by judicious propaganda.

What East can do for West in trade is an almost bankrupt theme. Nearly everything that needs to be said about it has been said already. Seen from another viewpoint, however, western policy towards the East does offer some novel and important possibilities. If the West can do nothing to alter the fundamental conditions of the Communist countries' internal economy, and their ability or willingness to engage in foreign trade, it does retain a certain amount of control over what it can offer to them. It could strengthen, or weaken, or re-design the strategic embargo. Even if the cold war in its various forms were likely to come to an end—and the Berlin conference has so far provided no sign that it will—no one suggests that the Communist bloc should be supplied with guns, aircraft or tanks. And only a few people maintain that large tankers, radar

The West's Strategic Controls

Sixteen countries (14 Nato, western Germany and Japan) operate controls on the export of strategic goods to the Soviet bloc. A co-ordinating committee (COCOM) meets regularly in Paris to unify the embargo system. There are two main categories of restricted exports: *Absolute Embargo* on goods of high strategic importance such as war potential machines, munitions, vital materials; *Quantitative Restriction* in which limited supplies considered to have no strategic importance are allowed. Other items are kept under review in case they should become strategic. All decisions of the Paris committee are subject to the unanimity rule. The American Battle Act gives the Administration power to cut off economic aid to any allied country which contravenes the embargo; this ultimate sanction has never, in fact, been imposed. Exports to Communist China are embargoed under separate arrangements in terms of the United Nations resolution of June, 1951.

equipment and scarce raw materials do not increase Soviet and Chinese war potential. It is at the margin between what is not obviously strategic and what is obviously non-strategic that all the argument arises; and it is only at this margin that the existing allied controls can be seriously criticised. Thus it is against this margin that Communist propaganda is concentrated; it tries hard to divide the western countries with the suggestion that only American-inspired controls prevent the West from finding great new markets and important sources of non-dollar supplies in the East. And because the controls that are worked in Paris are both secret and intricate, much that is said against them goes unanswered.

A case, therefore, can be made out for offering some resistance to the present attack on the controls by refurbishing them. It should be not impossible to reduce the existing complicated structure to a short list of items of the highest strategic importance, the delivery of which beyond the iron curtain is under

EUROPE AND SOVIET BLOC

	Imports from:			Exports to:		
	USSR	Eastern Europe	Total	USSR	Eastern Europe	Total
1953 Value in Million US Dollars*						
UK	111.7	91.7	203.4	34.3	38.9	73.2
Sweden	8.6	37.9	46.5	19.8	32.8	52.6
Switzerland	3.6	24.3	27.9	2.7	24.3	27.0
Other W. Europe†	99.0	253.7	352.7	100.9	273.5	374.4
Total	222.9	407.6	630.5	167.7	369.5	527.2
Per cent Change from 1952						
UK	- 31	+ 38	- 11	- 67	- 4	- 50
Sweden	- 57	- 48	- 50	- 55	- 43	- 49
Switzerland	+ 33	- 15	- 11	+ 13	- 24	- 22
Other W. Europe†	- 14	- 12	- 13	+ 30	+ 1	+ 8
Total	- 26	- 11	- 17	- 31	- 8	- 10

* Annual figures based on 9 to 11 months' trading except UK figures which are for twelve months. † 13 countries.

absolute embargo. The controls would then be simpler, less costly to operate, and easier to explain and justify. But to do this and no more would be simply to play the Communist game. Western governments—and, what is more difficult, western businessmen—have to learn the lesson taught by the Communist trading bloc; the lesson that trade and politics are inseparable. If the free world is to make important concessions in its eastward trading, then it must see to it that it gets something in return, whether in the form of economic or political concessions. What is obviously improvident is that the present successful policy of restriction should be gradually worn away by drip after drip of one-sided concession.

Even this would not be enough, however, for the Kremlin would still have a free hand to create all manner of mischief in the West with its economic weapon. Its monolithic trading organisations, taking direct political orders from the top, confront individual,

self-seeking, politically unaware businessmen in the West. To correct this disparity a suggestion has recently been made that a western consortium of business, financial, and government interests should be formed, under NATO auspices, which would act as a central clearing house and channel for trade with the Soviet bloc. This body would assume responsibility for co-ordinating the strategic list. Thus, by giving private business from all countries a hand in the controls, friction and distrust would be obviated. The smugglers might be driven out of business, and Moscow's clever tactic of window-shopping the same orders from country to country could be checked.

Whatever the West does to modify its controls is not likely to lead to any great increase of trade, desirable though that may be. But if it does not exercise the little power of initiative that it now possesses, the controls will inevitably lose their effectiveness. In the end the volume of the West's orders from the Soviet bloc will depend solely on the plans of the politicians sitting in the Kremlin; and it would be premature to assume that they have given up for more than a temporary period their policy of self-sufficiency for the bloc that extends from Eastern Germany to the China Sea.

Safety at Sea

Experience proves that large ships meet fewer disasters than small ones, and that steamers meet fewer disasters than sailing vessels. Will it not, therefore, be proper in the State to prescribe the use of large steamers and to proscribe the use of small sailing vessels? If the one principle of giving security to life, though at the expense of an invasion of the right of property and an invasion of freedom, be the proper guide for the Legislature, let it be carried out to its full extent, and never, for the sake of property and freedom, risk danger to a single life. . . . We dwell with some earnestness and reiteration on this topic, because ships and railways now occupy much attention, and from the same cause. Both now transport a large number of persons from place to place, and both occasionally lead to a sacrifice of life. Erewhile we looked with tranquillity, or it may be with exultation, at hundreds and thousands of lives sacrificed in battle; or heard with indifference of the wreck of mighty men-of-war, which consigned thousands of brave hearts to an untimely death; or invited its infliction as a punishment on misguided or misled fellow-creatures who had trespassed on some ill-considered penal statute; but now we take a deep interest in the loss of a single life by a railway accident or the wreck of a passenger vessel. Now the authorities, which before were as often set in motion to take away as to preserve life, are required to exert themselves for the safety and protection of passengers by sea and land. This is a very manifest improvement in the general humanity; but, like every new-born zeal, it may be carried too far. We think it is, and that it demands too much interference with business—too many regulations—which the Legislature is ever ready to grant, because every one seems to add to its utility, its importance, and its power.

The Economist

February 11, 1854

Blaming the Index

IN the past few months the content of trade unions' depositions in support of wage claims has suffered a sea change. Until the latest round of claims the argument for wage increases was generally based on a demand that wages should "keep in step" with increases in the Interim Index of Retail Prices. Now that the index has been stable for many months—it was 140 last December, the same as in the previous March—the argument for increases has taken the form of casting doubts on the validity of the index. Some of these doubts are due to a deliberate search for any old straw by people who want to throw bricks at economic stability; but some are due to genuine misunderstandings, which need to be cleared up.

For there is a world of difference between the function of the present index, as understood by those who drew it up, and the function that even the more moderate trade union leaders assume for it. The argument of the moderate union leaders can be summed up by a quotation from a speech by a delegate at the last Trades Union Congress:

The present Interim Index of Retail Prices . . . bears little or no relation to the real needs of the working population of this country. . . . The outstanding example is the value attached to rent and rates. Even our grandparents considered that a reasonable proportion of their income to allocate for this purpose was at least 10 per cent. Our dear great-aunts in the Ministry of Labour consider we can be adequately housed today by the expenditure of 7 per cent of our income. On this assessment, if your wage is £10 per week you cannot spend more than 14s. per week on living accommodation. I defy anyone in this hall to tell me that they can get adequate living accommodation for 14s. a week. If you are among the fortunate who are offered a Council house you probably have to pay rent of about 35s. a week and you would need to have, according to the Ministry of Labour, a weekly wage of £25 in order to take that house.

This is such a carefully reasoned misunderstanding that it is important to explain at some length the two fallacies on which it and other current criticism of the index seem to be based.

The first fallacy arises from the familiar misconception that most households have only one breadwinner. Although it is true that the weight accorded to rent and rates in the index is 7 per cent, this does not mean that the average worker is assumed to spend 7 per cent of his income in this way. It means that the average household is. And that average household is supported by more than one income. In fact, according to the Ministry's survey of household budgets in 1937-38 (on which the index is based), it is supported by 1½ incomes; that survey showed that the average industrial household consisted of 3.77 persons, of whom only 0.99 were children under 14 years of age, and as many as 1.75 were wage or salary earners. In consequence of this the average expenditure of a working-

class household at that time was 91s. 8½d. per week, although the average earnings of adult male manual workers were only 69s. per week. The difference, of course, was met out of the contributions of subsidiary earners in the household—including the pay-packets of wives and adolescent children and grandfather's pension.

Today these contributions must be playing an even greater part in supporting the average household. The Census of Population in 1951 showed that nearly half the households in Britain that were headed by somebody in work included two or more earners; that only about half of them had any children at all; and that what wage negotiators often call a "typical" family unit of one man supporting a wife and two children was in fact typical of only one household out of twelve. A much higher proportion of married women is in employment now than before the war; and the earnings of women and juveniles have risen more steeply than those of adult males. The last earnings census for April, 1953, showed that while men's earnings had risen by 169 per cent since 1938, youths' earnings had risen by 197 per cent, women's earnings by 209 per cent, and girls' earnings by 238 per cent. In addition, social benefits of all kinds have materially increased and family allowances have been introduced.

This varied composition of the average household's income makes it quite absurd to translate the weights in the index back into money terms for any particular weekly wage—in order to demonstrate, for example, that the index must be wrong because it "allows" such a worker an inadequate amount for food or rent. This line of criticism, pursued logically, would also give the same worker an "allowance" of a sixth of his earnings for alcohol and tobacco. The hard-pressed worker with a larger-than-average family to support, and without squatters' rights on cheap living accommodation does not—or should not—spend one-sixth of his income on these items. He uses his money to pay for such basic items as food and rent and rates instead.

The second fallacy behind current trade union criticism of the index is based, oddly enough, on a half-hearted recognition of the first. It is said that while the index might portray changes in the cost of living for the average household (with more than one earner and therefore some money to spend on inessentials), it does not accurately portray changes for poorer households. For example, food prices have gone up by 15 per cent since the general election in October, 1951 (although they have fallen by nearly 4 per cent since last June); wage rates have gone up by only 13 per cent (although earnings have risen by more). Therefore, despite the fact that the cost of living index as a whole has risen by only 6 per cent since the Tories came into power, the triumphant conclusion is reached that lower paid workers are now worse off.

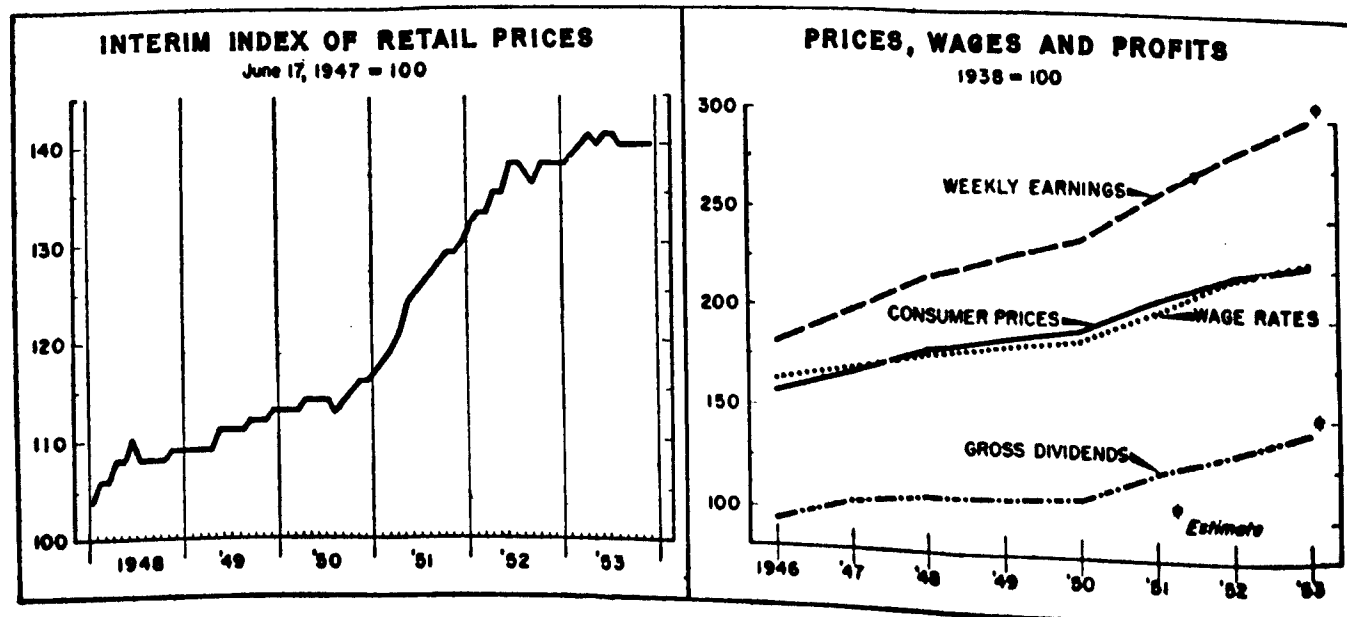
The argument that an index based on the consump-

tion patterns of the worse-off families would show a much bleaker picture than that based on the consumption patterns of average families is a tempting one to propound; nobody can define what a worse-off family is, let alone assemble the figures to refute it. But the argument is almost certainly statistical nonsense. All the evidence suggests that quite substantial changes in weights do not materially affect the *trend* of the index over a short period of years, which is all that the index purports to measure. For example, the Technical Committee, which reported to the Cost of Living Advisory Committee, in September, 1951, found that up to that date "the use of prewar weights in computing the index has not . . . resulted in any tendency for the index figures to understate the rise in retail prices since June, 1947"; it did not think that it had resulted in any significant overstatement either. On its recommendation new weights, based on the estimated pattern of consumption in 1950 and allowing for the higher rents on new dwellings, were introduced in January, 1952. Another inquiry into household budgets, which will lead to another re-weighting of the index, is at present being undertaken by the Ministry of Labour.

Facts About the Index

The interim index of retail prices, as at present weighted, assumes that the average household spends 39.9 per cent of its income on food, 9.8 per cent on clothing, 7.2 per cent on rent and rates, 6.6 per cent on fuel and light, 6.2 per cent on household durables, 7.8 per cent on drink, 9.0 per cent on tobacco, and the remaining 13.5 per cent on miscellaneous goods and services.

In the year to mid-1948 the index rose by 10 per cent; but under the influence of the Crippsian policy of wage and dividend restraint it rose by only 1 per cent in the year to mid-1949 and by only 3 per cent in the year to mid-1950. At this stage the wage freeze thawed; and this, together with a rise in the price of imported raw materials, caused the price index to rise by 10 per cent in the year to mid-1951 and 10 per cent in the year to mid-1952. By this time import prices were falling again, although the rise in wages went on. In the year to mid-1953, the index rose by only 2 per cent; and in the six months since then it has actually fallen fractionally (by just under 1 per cent, with food prices alone down by 4 per cent).



But it will be very surprising if this leads to any material alteration in the trend of the index as at present constructed.

The conclusion remains that a comparison between the change in earnings and the change in the index of retail prices reasonably mirrors changes in the workers' real standard of living over a short period. This does not imply that there is not still some real hardship at the lower income levels. The household that has only one breadwinner and an army of dependants is badly off today—as it always has been. The pensioner, living alone or with his wife, is worse off still. This may well provide an argument for higher family allowances and higher pensions. But it is absurd to suppose that it also constitutes a case against the present index of retail prices, or a case against relating wage negotiations to the consumption habits of households of more or less average size. The average wage earner today supports about 1.1 dependants; wage negotiations based on the spending habits of the "typical worker" with a wife and two or three children leave that average earner in the odd position of putting in a claim that he has two or three phantoms to support.

Facts About Real Earnings

The chart below shows changes in the annual averages of weekly earnings, consumer prices, wage rates and gross dividends on the base 1938 = 100. The figures for weekly earnings and gross dividends for 1953 are estimated.

It will be seen that wage rates have kept in remarkably even step with consumer prices since 1938, although they fell very slightly behind them between 1948 and 1951. Since 1951 (primarily because of the rise in real income attendant upon the improvement in the terms of trade) wage rates have caught up again; in 1953 both consumer prices and wage rates were at 228-229 per cent of the 1938 average. Weekly earnings have consistently risen by more than wage rates; by 1952 they were officially estimated at 282 per cent of the 1938 average, and by 1953 they were probably about 300 per cent of it.

Gross dividends were held down below 109 per cent of the 1938 average until 1950; since then they have risen fairly steadily, but are still only between 140 and 150 per cent of the 1938 average.

Notes of the Week

Bidault versus Molotov

THE main question that was posed by the decision to hold the Berlin conference has now been answered with the greatest clarity. All four Ministers wanted to know, for various reasons of foreign or home policy, whether there was anything that could be said or done in public that would justify changes in their previously defined attitudes. Mr Molotov clearly hoped to be dealing with a faltering France; Mr Eden may have faintly shared Sir Winston Churchill's hope that he would meet a more malleable Molotov; Mr Dulles may have feared that his solid front with his colleagues might be pierced by some new approach to the problem of China; and M. Bidault probably feared that he would encounter a suggestion—very hard to reject—that the Russians might put the brake on aid to Ho Chi-minh in Indo-China if the French would disengage from the European Defence Community. So far as Germany and Europe's security is concerned, the hopes and doubts have all been removed. It remains to be seen whether anything said in the restricted sessions, or about Austria, revives them.

Mr Molotov cannot count his handling of the conference as a success. He has stiffened the western ranks, scattered many illusions, and convinced many who have tried to keep an open mind that he is a dishonest as well as a stubborn arguer. He laid himself open to exposure by the acute mind and sharp tongue of M. Bidault, who has fairly put French prestige back on the pedestal from which it was jostled at the Bermuda conference. Indeed, M. Bidault spoke like the representative of a great power and the minister of a strong government.

Seto Instead of Nato

THE security system proposed by Mr Molotov on Wednesday is a more precise elaboration of a kind of Monroe Doctrine for Europe which he put forward in his Note to the western powers last November. The chief difference is that it cannot now be said to have even the merit of bringing about the reunification of Germany. Mr Molotov has all along made it plain that he is intent above all on breaking up the North Atlantic Treaty Organisation, but for a time it seemed possible that he might be prepared to pay a price for it. Now it can be seen that he intends to have his cake and eat it. He means to retain the Soviet zone, unless his plan for un-free elections and an imposed peace treaty is accepted; and he also proposes to replace

Nato and the EDC by a Soviet-dominated European network of alliances, which may here and now be dubbed Seto. The Russian proposals are, in brief:

Germany will remain under the occupation powers until the Molotov plan for a peace treaty is carried out; the east and west German states will join the Soviet-European Treaty Organisation. The usual treaty obligations for joint prior consultation and resistance against armed attack will be undertaken. There will be a permanent political and military committee which will be only consultative, and on which the United States and China would sit, presumably balancing each other out.

Perhaps it might seem that these proposals offer a way of uniting East and West and that the European system might be added to the North Atlantic Treaty. But article seven shows that this is not the Soviet intention. It declares that the parties should "undertake not to enter any coalition or alliance or conclude any agreement the purposes of which would contradict the purposes of the treaty on collective security for Europe." Often enough Mr Molotov has made it clear that this description applies to Nato, the EDC and the coal-steel community.

His objections to the EDC are first and foremost levelled at its links with the United States through Nato, and there would be no point in his proposing an alternative European system if it were not to sever Europe's ties with America. It would be sheer illusion to think that, because Mr Molotov said "not to enter" instead of "must leave," he has in mind that the European states could remain in the western security system when the American and British had withdrawn from Europe. On the face of it, West Germany and the communist states would be the only ones which would be bound "not to enter" the North Atlantic alliance, because they are the only ones which are not already in it one way or another. But it is inconceivable that a system based on the free world's common defence against Soviet expansion could be combined, on Soviet terms, with a system intended to exclude America from Europe.

Europe without Britain

BRITAIN's place in Seto has not been explained by Mr Molotov. His treaty would be open to any "European state" that accepted its purposes and obligations. But his definition of a European seems to be someone who cuts himself off from America, while accepting the Soviet Union as a European state. The fact that he has not said so in his present draft resolution should not wipe out the memory of all his previous utterances. If Britain left Nato, it could no

doubt become a member of Seto. That should be enough to damn Mr Molotov's club in British eyes.

What will be the reaction of France, to whom the Russian suggestion is mainly directed? General de Gaulle and other anti-Americans have from time to time made suggestions that seem to run along somewhat the same lines as Mr Molotov's, but they may be shaken to find the Soviet foreign minister now showing so clearly where those lines lead. M. Bidault himself has once again probed straight to the heart of the matter. He said that Mr Molotov was proposing to neutralise not only western Germany but the whole of western Europe, and his proposals meant the organised division of Germany for a further fifty years. Mr Molotov was offering no loosening of the eastern bloc while demanding the disbanding of the western alliance. The French people, he told Mr Molotov, had no desire to sever the tried and trusted friendships they had formed, and the French concept of security included partnership with the United States and Britain.

Internal measures to neutralise Germany—the corollary to Seto—were also elaborated by Mr Molotov in a resolution last Wednesday. He added two points to his former proposal for the withdrawal of the main forces of the four powers. One was an improvement, in that it suggested that the powers should supervise the withdrawal, each presumably watching the other. But the second addition made the proposal even worse from the western standpoint, since it would allow the armies to return to Germany if there were a threat to security inside that country. Mr Molotov submitted that his resolution would create conditions favourable for the settlement of the German problem. With the Americans having retired, perhaps, to the far side of the Atlantic and the Russian army only a few miles away across the Oder, no one can deny that it would solve the question *à la Russe*.

Tory Troubles

FOR a change, it is the Conservative Party that has been in domestic trouble this week. It is not in the nature of the Tory animal to allow itself to be split from top to bottom, but it can sometimes grow soggy in the middle; and it is very plainly doing so now. There is no Tory equivalent to the Bevanite faction—largely because on the Tory back benches there are no Bevans, only a number of Lord George Bentincks. But these Bentincks have now built up a sizeable array of grouses, rooted in their ingrained distrust of the party's new internationalism and of its adherence to the full structure of the welfare state, with all that this entails in the field of fiscal and economic policy.

From time to time this distrust spurts to the surface. After the fuss about officers' pensions and Suez (which, it is to be hoped, is not to be followed by any silliness about Abadan), the malcontents have found no less than four economic issues to grumble about in the past two weeks. The first of these, in the middle of last week, was when they forced Mr Thorneycroft to reconsider his new Industrial Organisation and Development Bill. Finding that this would continue and extend the principle of compulsory levies for voluntary development councils, the back-benchers

branded it as "Socialism" and told Mr Thorneycroft that his job was to reduce the area of interference with industry, not extend it. The Bill was scheduled for debate on Thursday of last week, and to save itself from public humiliation the Government was forced to propose a debate on the uninspiring Sydney conference instead. The Opposition, whose intelligence service seems to have been at fault, fell into the trap of agreeing to this face-saving device.

In this debate on Sydney the second cause of unrest—in the familiar form of pressure for wider margins of imperial service—was ventilated down Mr Butler's neck. He stood up to this fairly easily; and even adopted *The Economist's* slogan that "if we cannot get one world immediately—which is, after all, a great ideal—we may have to work for one and a half worlds." But by Tuesday of this week he was in trouble again, meeting the back-benchers' annual pre-Budget campaign for tax concessions—in this case, for concessions on purchase tax. Mr Butler said that he had been impressed by arguments about the evils of uncertainty in this matter, and that he would make a very early statement; on Thursday he made this statement and declared firmly that there will be "no further changes in purchase tax schedules in or before the budget." As the leading article in this issue argues, the Government has gone as far as it should in limbering up to meet the possibility of American recession at this time; for the short term—it may be for the very short term—its policy should clearly be to discourage any further increase in consumers' demand.

Lancashire and Labour

THE fourth Conservative storm on which Ministers had to pour oil this week arose, of course, from the Japanese payments agreement and trade arrangements. The Government was helped in its efforts to smooth down this trouble by the fact that Labour's attack on the agreement proved to be fiery only in word and mild in deed. The motion on which the challenge was launched had been tabled only after much private discussion and it had to strike a half-hearted compromise. It conceded that no British Government should openly force poverty-stricken peasants in the colonies to buy dear British goods, but suggested that the Treasury should have consulted Lancashire capitalists—apparently in order to work out a less open way of such enforcement. This was a rather peculiar motion for Labour to adopt, and only a Mr Harold Wilson could have regarded it as an occasion for extravagant oratory. Mr Wilson accused the Government, among other things, of making cotton a "Cinderella" industry and of sacrificing Lancashire to world oil interests and the Australian wool growers. This might go down well in Lancashire, but the Government had no real difficulty in puncturing such exaggerations. It also had no difficulty in promising to comply with the innocuous proposal of Lancashire Tories, framed in an amendment presumably aimed at their constituents, that future trading arrangements with Japan should be based on the experience of the coming year.

Labour's shifting on the Japanese issue compared poorly with the forthright eruption from its front bench the previous day in defence of American air bases in Britain. These stations are under constant sniping from the Labour

left wing; but, without warning, when Sir Winston Churchill was answering questions about them, Mr Shinwell and Mr Arthur Henderson leapt forward with the very responsible reminder that it was the Attlee Government that decided to establish the bases, and that this is a decision "from which at the present time we are not prepared to run away." In view of the recrudescence of left wing activity, marked by a woolly new motion about Germany, such remarks are timely. If only similar responsibility can be shown in the economic field, the Labour Party may still take advantage of the Tories' party troubles to reassert its effectiveness. There is a pale pink hope.

Candid Friend for the Boards

LAST week's adjournment debate on the report of the Select Committee on Nationalised Industries should have dispelled a good many anxieties, which had been keenly felt not only on the Labour benches but a long way beyond them. The establishment of a new Select Committee to watch, on Parliament's behalf, over the doings of the public corporations, might *prima facie* mean a number of different things. It might—particularly in conjunction with the appointment of a high-powered Comptroller backed by a corps of auditors and accountants—be a serious threat to the autonomy of the boards, and thus to their capacity for efficient management and enterprise. It might be a permanent gadfly, nagging away at just those questions of day-to-day administration that have been deliberately removed from Parliament's scope. It might become an intervening tier in the structure of government, encroaching on the functions of the Minister. It might try to be either a permanent efficiency audit or an alternative to the admittedly unsatisfactory consumer councils. Last—though probably least serious—it might be misused, for political purposes, as a means of eliciting, distorting and broadcasting any facts which the opponents of nationalisation might find useful.

Fortunately, the select committee, as envisaged by Mr Crookshank in his opening speech, should avoid these mistakes. What is proposed is rather a two-way consultative link or channel of communication, which could no less easily act, when needful, as a Society for the Prevention of Cruelty to Nationalised Industries rather than as an instrument to publicise or assess their shortcomings. The detailed job of efficiency audit or organisation and method research is one best done within the nationalised industries themselves—individually or, perhaps better, jointly. The major questions of policy co-ordination, investment priorities and so on are in the last resort questions for the Cabinet (though postwar Cabinets have not handled them very well). The neglected consumer councils, were they properly used, would save a lot of parliamentary frustration. But the general scrutiny to be exercised by the proposed Select Committee ("watchdogs, not bloodhounds," as one member put it) is something which none of these devices can replace.

No constitutional device can, of course, entirely resolve the dilemma of accountability. Either Parliament has some power, direct or indirect, to call the boards to account, or it has not. The greater its power, the greater the risk of red tape, overcentralisation and timidity in nationalised

industry; the less its power, the greater the risk of irresponsibility, autocracy, and all the anomalies of an *imperium in imperio*. Whatever power Parliament has, however, will be the better exercised—and the less likely to be misused—for being well informed.

New Threat in Indo-China

BYPASSING the important French strongpoint of Dien Bien Phu, the rebel forces of the Communist Vietminh are closing in on Luang Prabang, the capital of Laos. When a similar situation arose at the end of the campaigning season in the early summer of last year, the Vietminh failed to take Luang Prabang; but their sudden thrust down into this entirely new area gave the French and their allies an unexpected jolt. When the rains came, the Vietminh withdrew. Today the situation differs in two ways. On the one hand, the Vietminh are in greater force and have plenty of time left in which to advance further south before this year's rainy season. On the other hand, although their prospects of real success are greater, their attack has long been expected. While there is dismay at the foreseeable

consequences of Vietminh victory in this area, the shock of surprise is lacking.

These events in Indo-China are being followed very closely in Washington, in Paris and in Berlin. The American interpretation is that the situation in Indo-China has lately taken a distinct turn for the worse. As a result, the Administration has chosen to apply for the first time its new policy of striking back at the Communist bloc by methods and in places of its own choosing;

it has made a significant break with precedent and has sent 400 American air force technicians to give direct help to the French and Vietnamese in their struggle.

In Paris the mood favouring negotiation over Indo-China continues to gain ground; in Berlin, on the other hand, M. Bidault has resolutely insisted on the stopping of Chinese Communist aid to the Vietminh and a cessation of hostilities in Indo-China as conditions for holding Mr Molotov's proposed Five Power Conference. Whether or not the Russians and Chinese hope to influence the Berlin meeting in any way by the present Vietminh offensive, it does make this a particularly bad time for the French to attempt to open negotiations with Ho Chi-minh—as M. Plevin, the Minister for Defence, must find during his present visit to Indo-China.



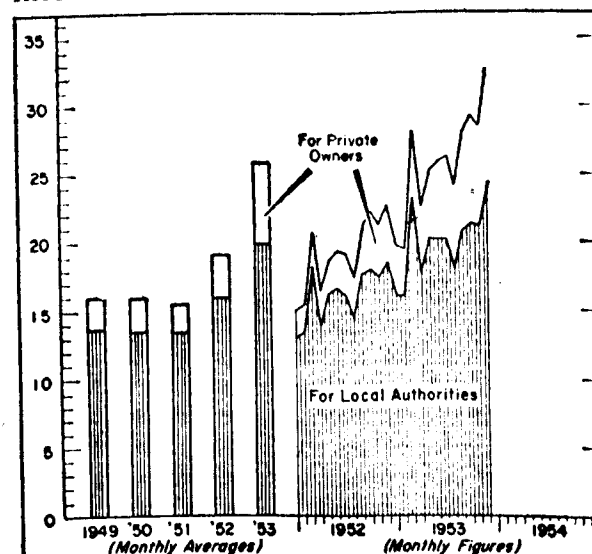
Missing Links in Iran

THE departure to Abadan of a team of oil experts representing seven companies and four nationalities has sent spirits soaring prematurely. No negotiations with Iran have started and the expedition is simply a fact-finding one, charged with establishing a figure without which they cannot begin. How much capital must be poured into the oil installations to put them back into running order? The answer, in dollars, runs at least into tens of millions.

The Iranian exchequer, living from hand to mouth on an American grant of \$43 million that may last till June, cannot possibly supply such a sum. Therefore the outlay must come from the visitors, who will not risk so large an investment unless they have guarantees: first, that it will set in motion well-managed and regular production; secondly, that it will not be a prey to capricious decisions by politicians who would rather curry favour with an ignorant public than explain to it what is in Iran's best interests. Such conclusions as the companies have reached will all of them be operative only if oil is being well and steadily produced. The arrangements for that kind of production have yet to be made with the National Iranian Oil Company. *Hamlet* still lacks the prince.

Another sobering thought for Iranians is that the motive of the western powers in urging the oil companies to pursue investigations is to secure revenue, and therefore stability, for the country. But there is still not much indication that the one will lead to the other. In its six months of office, the Zahedi government has some achievements to its credit; it has restored law and order, corrected a foreign policy that had brought the country no advantages whatsoever, and secured one American grant-in-aid. But it has given no sign that, if it recovers the lost oil revenues, it will spend them any more intelligently than they were spent between, say, 1948 and 1950. Such portions as were then devoted

HOUSING PROGRESS
Permanent Houses Completed in Great Britain
THOUSANDS



THE ECONOMIST, FEBRUARY 13, 1954

to development and welfare were chiefly spent in hiring advice; and the advice was not taken because to carry it out would have entailed unpleasant changes, such as taxation of the rich. The government has not shown that this attitude is a thing of the past, and in cities such as Teheran there are therefore large middle-income and lower-income groups who are lukewarm and sceptical.

It has just founded a "National Guidance Council" one of whose jobs is "to study ways and means of making the great Iranian people realise the prominent position it has held in world history." This is a redundant project, since all Iranians already know their great past by heart. What needs explaining is the price that must be paid to secure the foundations for greatness in the future.

Exhortation to Islam

THE state of Iran today gives special point to an exhortation just made by one of the world's Grand Old Men, the Aga Khan. Though he made it in Pakistan, where it appeared in the "Aga Khan Platinum Jubilee Supplement" of the newspaper *Dawn*, he is entitled to address a wider public. For he is the Imam of the small but far-flung Ismailiah sect of Islam, and he is a direct descendant of the Prophet. Unfortunately, the Ismailis form so small a proportion of the faithful that he may not get for his common sense the attention it deserves.

Under the heading "This I have learned from life," he gives his opinion that Islamic culture, once in the forefront of technical as well as intellectual progress, has in the last three centuries been totally outclassed by that of peoples who "have drawn their force from other intellectual sources." He upbraids his co-religionists for living with their heads turned backwards over their shoulders and for being content to "put a full stop to fresh inquiry." The creed of Islam, he says, does not preclude mastery over science; on the contrary, there is an element in it that calls for the harnessing of nature to man's needs:—

Today perhaps we are farthest away from control over nature, while the west from America to Russia increases its great and overwhelming power over natural forces. . . . It is for the public of Pakistan, and indeed of the Moslem world, to adjust its cultural foundations of knowledge to the study of and ultimate victory over the forces of nature ever at our disposal through science. . . .

Here is the problem that confronts all reformers in Islamic states. Is it possible to bring about this mental revolution without destroying the orthodoxy that is the citadel of the faith? Lord Cromer thought not: hence his famous dictum that no reform of Islam was possible, because a reformed Islam would be something different. The Aga Khan himself, in a message to Mustafa Kemal in 1923, adjured him not to weaken the moral hold of the Caliphate by divorcing it from politics. Kemal, while not repudiating Islam, held that it "distracts people from the paths of progress" and that it was "indispensable, in order to secure the revival of the Islamic faith, to disengage it from the condition of being a political instrument." The Turkish solution, which was to break the narrow bonds of orthodoxy, is thought too drastic by the present leaders of Pakistan,

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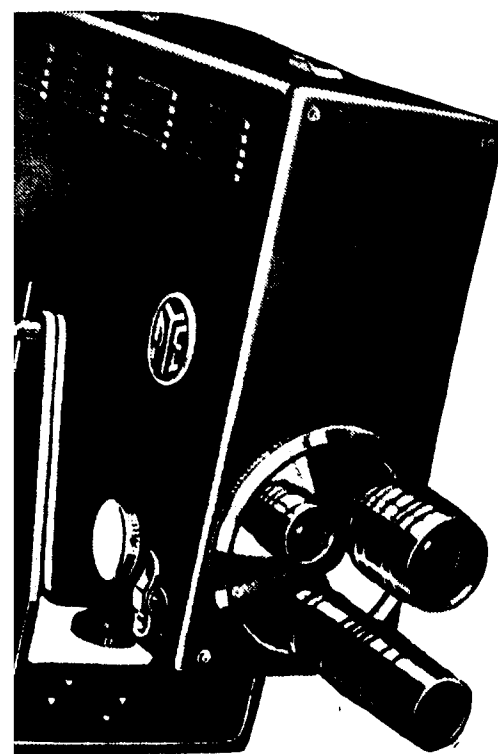
PyE TV FOR INDUSTRY

A recent demonstration at the National College of Rubber Technology proved conclusively that television can be a most effective educational medium for technical instruction.

During the past four years intensive research has been carried out by Pye engineers at Cambridge and this has resulted in the development of a special television camera for industrial use. The new camera has many advantages; it is small, can be operated without special lighting, costs about a third of an ordinary television camera, and what is most important it can be operated by untrained personnel. This camera transmits an extremely bright picture of fine definition on closed circuit, up to a distance of 1,000 feet feeding any number of receivers up to 15.

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This is only one of the many ways in which Pye Industrial Television is helping British and American industry. For further information will you please write to Pye Limited, Industrial Television Division, Cambridge.



(Above) Demonstration being televised



(Below) Setting the camera



Say goodnight to that cold

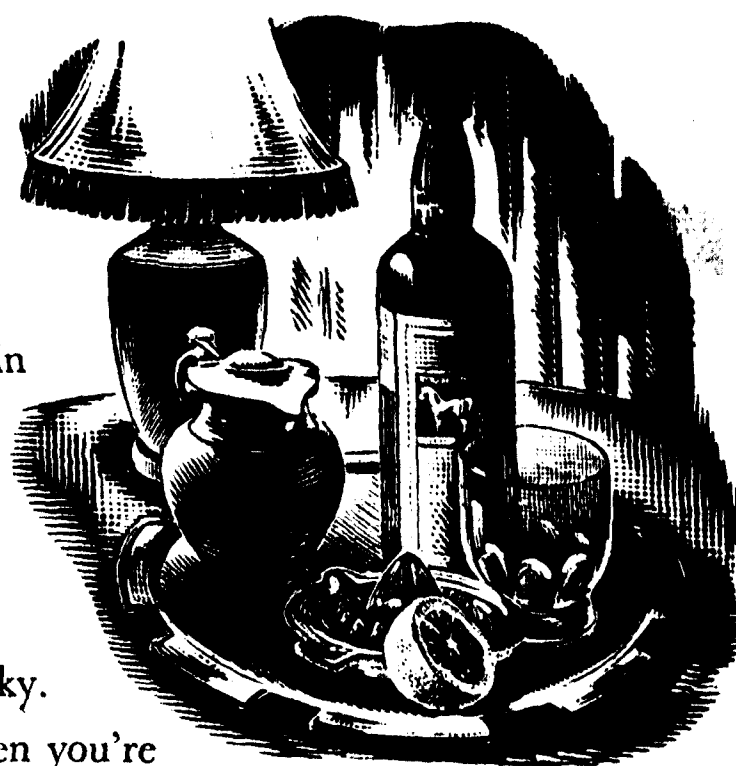
IN Scotland—where cold, rain and mist are no strangers—they well know the best defence against chill: that long, slow wave of inner warmth that comes from a good Scotch Whisky.

These treacherous nights, when you're damp and tired, make yourself a White Horse toddy. Take it at bedtime, with hot water, lemon-juice and sugar—or in hot milk. Finding you sleeping soundly, wrapped in a gentle glow, the cold that was counting on no resistance will probably change its mind.

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Scotch Whisky

 MAXIMUM PRICES:— Bottles 25/-, ½-Bottles 14/3, ¼-Bottles 9/6, Miniature Bottles 3/3, as fixed by the Scotch Whisky Association. 



Egypt and Iran, as they cope with constitution-making and reactionary mullahs and Moslem Brotherhoods. But they have yet to find a middle road.

Garlands for Mr Lyttelton

OF all the Ministers who have recently had occasion to travel abroad, only Mr Lyttelton, so far, has come back to receive universal applause. Two months ago, he was being subjected to a virulent campaign of abuse by the extreme left wing of the Labour party and to sustained criticism from even its more moderate leaders. On Wednesday, after his statement on Nigeria, he even received congratulations from Mr Fenner Brockway.

The applause was a well-earned tribute to Mr Lyttelton's successful chairmanship of the Nigerian constitutional conference, whose results are described on page 476. Some criticism was, however, directed on Thursday against the proposed constitutional changes in Northern Rhodesia. At the end of his visit there, Mr Lyttelton declared that the sudden swamping of white voters by black voters could not be envisaged. This could be interpreted as meaning that the European dominance in the territory's government would be preserved indefinitely. But at the same time Mr Lyttelton said that the African must not get the impression that his road to advancement was barred; something "unusual and exotic" in the way of constitutional changes should be looked for in order to give the Africans a bigger share in government and yet preserve European leadership. To meet the intractable problems of a plural community this statement cannot be considered reactionary. The question is whether an unusual and exotic solution can be found before it is too late. One of the fruits of Mr Lyttelton's visit and his discussions with European and African leaders is that he will have seen for himself how urgent the need for a solution has become.

Perhaps the best comment on Mr Lyttelton's chairmanship of the Lagos conference came from the Sardauna of Sokoto, who expressed the hope that Mr Lyttelton would

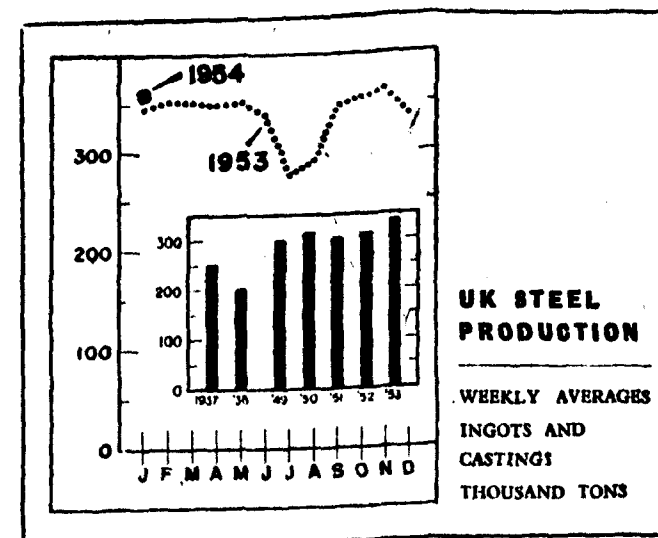
be spared politically until 1956 when the revised constitution is to be reviewed. For all the success attending the recent conference, it had to be remembered that its decisions are not binding for more than two and a-half years. Whether the unity of Nigeria that has still been preserved under the present arrangements (published as a White Paper Cmd 9059) will then be retained is an open question. The 1956 conference will probably have to face demands for full self-government from one or more regional governments without prejudice to the continuance of British supervision in the others and in the federation. It will need gifts of chairmanship at least equal to those Mr Lyttelton showed in his fortnight at Lagos.

Kenyan Dilemmas

THE tentative discussions now taking place in Kenya on constitutional changes have already run into difficulties. In November of last year the European elected members, led by Mr Michael Blundell, came out in favour of a policy which, by Kenyan standards, could be called boldly liberal. On this foundation private discussions have been held between the different racial leaders, in a search for an agreed formula for representation of all the races in responsible posts in the government. And African leaders have lately done their best to help these along by showing a much bolder front against Mau Mau.

Unfortunately, however, it is now obvious that Mr Blundell has failed to carry the white electors all the way with him; and last week a clear division of settler opinion was brought to light, when a proposal to amalgamate the organisations of the elected members and the electors was indefinitely postponed, apparently because of differences of policy. The settlers feel strongly—and with some reason—that the present government (which contains no elected representatives) is not dealing firmly enough with the emergency. They claim that the division of responsibility between a military commander and a civilian governor leads only to muddles and frustration; and are asking for the formation of a war cabinet, with a war minister and an unofficial majority. But they instinctively draw back from taking the plunge of advocating that this cabinet should be multi-racial. They clearly have in mind a government that would be dominated by themselves.

The lives and property of these men depend on firm conduct of the fight against terrorism, and to that extent their attitude is understandable. But in the long run settler rule, without the co-operation of the other races, could only lead to disaster. There are only three ways of governing Kenya: through a government composed of representatives of all the races; through continued Colonial Office control; or a still greater devolution of power upon the military. The British Government should give clear warning to all concerned that if the present discussions break down through lack of trust, a choice will have to be made between the second and third methods—and it may even be that the military method would be the better of the two.



Housing and the Bill

THE Minister of Housing has exceeded his target by nearly 20,000. In 1953, 318,779 houses and flats were built, compared with 239,922 in 1952; this makes a total of over 1,500,000 built since the end of the war. The number of houses built to let increased in 1953 by 24 per cent and houses built for sale by 83 per cent. This was a good response to Mr Macmillan's instruction that houses for sale, of area less than 1,500 square feet, should be licensed automatically. Yet the number built for sale in 1953 was still less than one in five of all homes built—in other words, no greater than the proportion fixed (though never reached) under the Labour Government.

One measure of Mr Macmillan's success is that he must now look more closely at the bill. The subsidisation of local authority houses is now costing the country some £90 million a year in rates and taxes, and to this, at the present rate of building, each year's output adds about £10 million. It is obvious economically—if not politically—that what is needed now is that private individuals should take a larger share in the house-building programme; generally speaking each new house built for sale releases another house for somebody lower down the income scale to move into. Mr Macmillan might smooth the way for private housebuilders by removing every sort of control other than town planning control; and he intends to press forward to his other desirable objective of slum clearance by granting appropriate financial incentives. But the resources needed for building are being absorbed—and the cost of building is being pushed up—by the heavy local authority programme.

It will not be easy to choke off the spate of new local authority houses. At the end of the year 250,000 houses and flats for letting had already been started, as well as 60,000 for sale. This year's performance will therefore be even more impressive than last year's, besides absorbing even more resources and being more burdensome than ever to the taxpayer.

Canada Sees the World

LAST weekend Mr St Laurent, the Canadian Prime Minister, passed through London on the first stage of what his Foreign Minister, Mr Lester Pearson, has described as a "voyage of friendship, goodwill and exploration." He is visiting nearly a dozen countries in Europe and Asia, including France, Germany, Pakistan and India. No other Canadian Prime Minister has made a comparable tour; that Mr St Laurent should want to make it is a significant sign of Canada's growing status as a world power.

Canada's vast economy is expanding so rapidly that it would not be surprising if the country were to be completely absorbed in its own affairs. But over the last decade, its interest in the world around it, stimulated no doubt by the menace of aggressive Communism, has expanded almost as rapidly as its own economy. It has played more and more of a leading role at the United Nations; it has made

a valuable contribution towards preserving the delicate balance of Anglo-American relations; through Nato it has become closely linked with the countries of Western Europe; finally, in recent years it has taken an increasingly strong interest in Asian affairs.

Mr Lester Pearson told the Canadian House of Commons a short time ago that through its membership of the Commonwealth Canada has a special obligation towards the peoples of Asia and a special opportunity to help them. He pointed out that the disruptive social, national and economic forces at present at work in Asia would have erupted in any case, even without the aid of Moscow. Canadian policy in Asia, therefore, must be something more than negative opposition to Communism; it must be a constructive attempt to convince the Asian people that "free democracy can do more for the individual than Communist tyranny can ever hope to do." These are enlightened words from the Canadian Foreign Minister. Moreover, they are not merely words; since 1951 Canada has allocated \$75 million for capital investment under the Colombo plan, and an additional \$1.6 million for training technicians. Mr St Laurent's tour should do much to put Canada still more on the map as a power that counts in South East Asia. It will be all to the good if it does.

Aboriginals in Fleet Street

BEFORE the royal tour of Australia ends there may be time for the British press to put right one matter that went badly wrong in New Zealand. There the Queen's otherwise triumphal passage was marred by something for which neither royalty nor antipodean affection can be blamed. The fault lay with certain London daily newspapers—and, curiously enough, most of all with those that cry loudest their belief in the Commonwealth.

Distinguished New Zealand editors complain that some Fleet Street correspondents' comments on the tour were pervaded with that irritating condescension that has so often made the Englishman's path in the Commonwealth needlessly difficult. One—a woman—smugly revealed that she had always thought Maoris lived in trees; and she was not the only correspondent to parade such patronising and naïve ignorance. New Zealanders are accustomed, it is true, to solid local newspapers, and can hardly appreciate the fierce competitive urges that drive big national dailies to smother the facts with the sickly cream of "human interest." But many of them who know Britain well deny that their countrymen are noticeably more touchy than, say, Londoners, who, they believe, would react just as sharply if a visiting New Zealander publicly giped at their own sacred cows. They appreciate that the Fleet Street men were writing for readers at home; but they point out that the more controversial remarks were bound to be widely reprinted in the Dominion.

Underlying the controversy is the impression, now common in New Zealand, that the interest of several London newspapers in the Commonwealth is strictly limited to special "angles," and that they should not wait for royal tours before sending their star writers to explore the outer marches. Several correspondents covering the tour have expressed the hope that they could return at

leisure and really learn something about New Zealand. It might pay their employers to help them to do so.

To Understand Japan

IT is good news that Mr Yoshida, the Japanese Prime Minister, is to visit London. The British Government has been slow in deciding during eight years how much attention to give to postwar Japan, so encouraging the tendency in that country to judge its relationships with the West entirely in the light of its experience of American occupation and tutelage. Now that Japan is trying to stand on its own feet, it is increasingly conscious of the political and economic role for which it is cast in the Far East; and it may well feel surprise that the role is so little understood in this country and the Commonwealth. Indeed, much British criticism of the recent trade pact has almost entirely ignored the sheer political importance of giving the Japanese a fair chance of earning their living.

There are three quite clear objectives for British and Commonwealth policy in this respect. The first is that Mr Yoshida and men like him—there are not many—should earn prestige by success. Unless they do so, Japan's attempt to restore its version of free institutions and western ways will not succeed; yet it is important that the attempt should succeed, with China going in precisely the opposite direction. The second is that Japan, which is being rearmed by the Americans, should be accepted as an indispensable nucleus of collective security in the Pacific, rather as Western Germany is being accepted as a partner in the defence of Western Europe. The third is that Japan must be allowed to pay its way in the markets of the free world. If it is not, then a serious decline in economic conditions for its 87 million people is inevitable, with all the political consequences that can be imagined. To argue that the solution of its trading troubles is to be found quickly and simply on the Chinese mainland is to ignore the trends of Peking's policy that were analysed in *The Economist* of January 2nd.

Mr Yoshida's visit should mark the beginning of real understanding, even in Lancashire, that Britain can decisively influence the chances of stability and peace in the Far East by its policy towards his government.

Who Pays Teachers' Pensions?

WHEN the Teachers (Superannuation) Bill comes before Parliament next week there is likely to be stiff opposition to the clauses that seek to raise the rate of contribution from teachers as well as from employers to six instead of five per cent of their salaries. Mr W. G. Cove, a Labour member and a former president of the National Union of Teachers, has tabled a motion for the rejection of the second reading of the bill; and teachers' organisations in both England and Scotland stand behind him, with the demand that the Treasury should meet the whole of the deficiency in their pension fund.

The teachers contend that they are being accorded worse treatment than any other body of public employees. They

cite the superannuation schemes of the Airways Corporation, the BBC, the Coal Board and the Electricity Authority, where the solvency of the funds is guaranteed by the Board or Corporation and contributions can only be varied for new entrants.

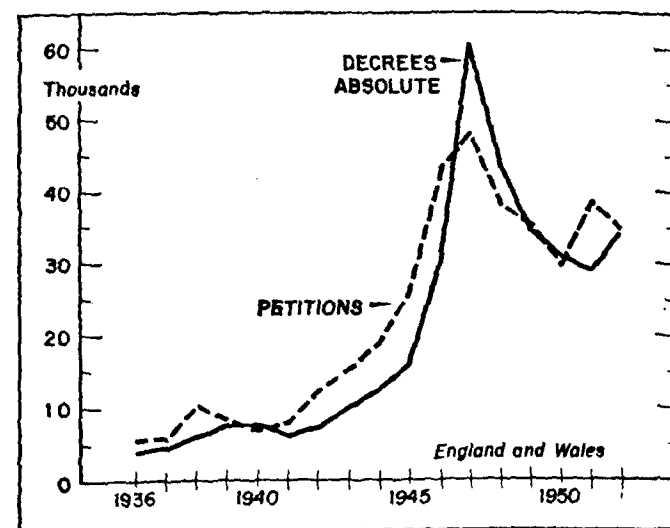
The case of these public corporations is not really parallel. They are commercial undertakings whose accounts are supposed to balance in the long run, and the way in which they choose to manage their pension schemes has no more relevance to the teachers' problem than the (widely varying) ways in which private businesses choose to manage theirs. But the way in which the Government should handle the pension funds to which taxpayers and ratepayers contribute offers a legitimate field for public debate. The actuarial deficiency in the teachers' pension fund at March 31, 1954, is expected to be £220 million. Under the new Bill the Treasury will meet £144 million of this, while the teachers and their employers meet the balance. On the face of it, even those who accept the argument that teachers' salaries are too low must find it difficult to call this an ungenerous contribution—especially as the case may set a precedent. For in introducing the Bill the Minister should make plain what is the Government's general policy towards superannuation funds. What about other local authority staffs, in whose superannuation funds deficiencies have also appeared?

Marry in Haste . . .

WITH the welter of picturesque images in which the jargon of demography abounds—such as "marriage intensity among women," "women exposed to the risk of child-bearing," and "marriage cohorts"—the Registrar General's Statistical Review of England and Wales has this week set down detailed figures of marriages and divorces in the five years from 1946 to 1950. It shows that the proportion of women who find a husband is higher than before the war. This is clearly because there is no longer any surplus of women at any age under 40. The boy babies who once died more readily than girls have for a long time now been saved by better medical care and the excess of 1½ million women in England and Wales therefore begins at middle age. At the ages when marriage is most frequent, indeed, there are four unmarried men to every three unmarried women.

Not only do a higher proportion of women get married, they also marry earlier. Unfortunately all the warnings of anxious parents are justified by statistics of the fate of these marriages. Divorce is far commonest among those who marry young. To judge by the experience of 1950, one-quarter of all girls marrying at between 16 and 18 years of age will be divorced within 20 years. So, too, will one-tenth of those marrying at ages 19-22; but only one-sixteenth of those marrying at ages 23-27. While couples without children are still more likely to be divorced than those with them, the days when a gentleman always assumed the guilt in divorce cases are long since over. Wives in 1950 presented only just over half the divorce petitions, and during the war and just after it husbands' petitions were actually in a majority. Desertion is the chief ground cited in the petitions of both sexes, with adultery second.

The wreck of so many marriages—in 1950 7 per cent of all marriages celebrated 5-15 years before—would normally serve to stunt the growth in population. But about one-third of those divorced remarry, and the greater number of all marriages partly makes up for the prevalence of divorce as well as for the smallness of the modern family;



so that, although the nation is not yet reproducing itself, the number of potential mothers is no longer falling. The demographer's nightmare of a rapidly dwindling population is banished; the moralist's nightmare of disintegrating family life remains.

Paying for Paternity

A DIVISIONAL COURT has refused to direct the Birkenhead magistrates to issue a warrant for the arrest of an American soldier, who fathered an illegitimate child in this country and has refused to pay out under an affiliation order made against him by the magistrates in April last year. Since the man concerned has already returned to the United States, the warrant—even if issued—could not have been served; but effective proceedings might have been taken against him if ever he came back on even a short visit to this country as a civilian.

The decision to refuse a warrant cannot be criticised in law. Under the combined effect of the former Visiting Forces Act and the Army Act a soldier of the United States Forces serving in Britain has an equivalent status to that of a soldier in the British Army; and a serving soldier may not be arrested for failure to pay a sum he has been ordered to pay by a non-military court. But an important difference between the British and the American soldier in this respect is that the British Army authorities may deduct from the pay of a British soldier the money he should pay under an affiliation order, while the American Army authorities here no longer have that power (the power existed during the war, but it was very much restricted, by order from Washington, in 1950). The Attorney-General told the court this week, however, that when the Visiting Forces Act of 1952 is in full operation the British Government

hopes that it will be possible to make reciprocal arrangements with the Americans, whereby there will be some prospect that affiliation orders may be enforceable against American soldiers and ex-soldiers.

It seems very reasonable that they should be. There can be few traces left now of the Victorian belief, real or conventional, in the essential innocence of womanhood. But an affiliation order is not a means of punishing a guilty man. It is a means of providing for the illegitimate child, and it is hardly open to the American authorities to profess indifference to his or her fate. So far as Anglo-American relations are concerned, illegitimate children fathered by American soldiers and financially abandoned by their relatively well-paid fathers are a pile of dry tinder. The child in the case last week was stated to be one of 70,000.

Group Doctoring

THE somewhat grandiose health centres that featured in so much planning of the health services before 1948 have come to practically nothing. They were intended to bring together under one roof the local authority health services, general practitioners, dentists, chemists and opticians, with a host of ancillary workers behind them—secretaries, nurses, almoners and physiotherapists—and with laboratory and radiological facilities. It was soon realised, however, that the cost of providing numbers of health centres on this scale would be prohibitive, even if patients and practitioners wanted them and even if a limit had not been suddenly placed on health service expenditure.

As a result, the amount voted for health centres in England and Wales has gradually fallen and is now only a token figure. But during the last few years a great deal of attention has been directed towards improving the status and standards of general practice. The Danckwerts award increased the doctors' pay; but the award was made conditional upon a better method of distributing the pool from which they are paid, with the object of safeguarding the standard of medical service. It is significant that the terms of reference of the working party set up in 1952 to devise the new method of distribution included the stimulation of group practice, for it had frequently been suggested that by working together general practitioners would lose their professional isolation and would be able to give more time to their patients.

Group practice is the old health centre writ very small indeed. The capital cost of one centre would be at least £200,000 today. The working party recommended that £100,000 should be set aside from the general practitioners' pool each year to promote group practice in the country as a whole. This sum, it has now been decided, will be available in interest-free loans to doctors working in groups who wish to provide new practice premises or improve their existing ones. Few doctors will benefit to begin with, for a simple surgery built by six doctors at their own expense and described recently in the *Lancet* cost £10,000. But the annual sum will eventually be added to by repayments of the loans; and in any case it is better to start experimentally than to launch out on a large scale before the advantages of group practice are firmly established and their weaknesses—if any—overcome.

Letters to the Editor

Latin American Customers

SIR—Your article in the issue of February 6th rightly stresses the limitations of possible Governmental support. Only five countries (Argentina, Brazil, Chile, Paraguay and Uruguay) regulate their imports on a bilateral basis, and thereby invite some bargaining. In four other countries (Bolivia, Colombia, Ecuador, Nicaragua) all imports require licences, but choice of country is left to the individual importer. Ten countries (Costa Rica, Cuba, Dominican Republic, Guatemala, Haiti, Honduras, Panama, Peru, Salvador, Venezuela) exercise no control over most of their imports. In Mexico the discrimination is mainly geographical. Nothing can therefore relieve us of the necessity to compete on quality, price, delivery and credit terms. In the exports I am connected with (light engineering, hardware, semi-consumer goods) we are gradually and painfully arriving at competitive levels. It is on salesmanship that we are still woefully behind. Some British manufacturers are well established in the Americas and—in the main—they handle their own exports. The majority rely on orders coming through export merchants, without any serious effort to help.

German manufacturers produce well-presented Spanish catalogues with full specifications, price lists in dollars and sterling, etc. Normally the Hamburg exporter can answer an overseas enquiry by return airmail. The British exporter must usually make do with inadequate literature (English text, cwt., Imperial gallons, etc.), and has to collect piecemeal technical details, weights and packing specifications. By the time this is done, together with the translations and calculations, the business has probably gone elsewhere. Things are not helped by the "one price only" policy of most manufacturers and trade associations, with no provision for the exporters' pains, costs and credit risks. He is miraculously expected to sell at a higher price than the manufacturer himself (or another making the same article) is prepared to accept for direct shipment.

In Germany an overriding export discount, together with tax refunds (borne by the manufacturers) enables the Hamburg firms to keep several travellers on the road, where we may have just one. A common complaint of our exporters is that the appointed overseas agents—however reputable—after a while tend to fall asleep. The Germans counter this by posting a full-time member of their staff to the agents' offices abroad, normally with the assistance of the interested manufacturers. A very close manufacturer-exporter co-operation is characteristic of the

Swedish foreign trade. Many export firms are linked to industrial concerns on a joint venture basis, and the "all goods" exporter is rather an exception. We may eventually adopt something like the German-Swedish methods, or decide on more direct exporting by the industry, or evolve new principles. Certainly we cannot carry on with the present buyer-seller relation of exporter and producer, with the conflicting interests it breeds and with nobody really responsible for a planned and sustained sales campaign.—Yours faithfully,
London, W.1 L. SHIPMAN

German Illwill to Britain

SIR—Having followed the conflict of views arising from Herr Friedensburg's letter in your issue of January 16th, may I be permitted to add a few words? Although it seems obvious that Herr Friedensburg, in his capacity of former Bürgermeister of Berlin, should have known better, many of the facts listed in Messrs Mayhew and Robinson's letter are little known in Germany. Although in the journalistic profession myself, I was completely unaware of these facts, and hoping to get some comfort by finding others as ignorant, I asked a great number of acquaintances of mine about the matter in question. The result was appalling indeed: none of them, although generally well-informed, had ever realised the extent of British help to Germany. One wonders what the reasons are. I am certain, at least as far as the persons I talked to are concerned, that this is not just a case of stubbornness, bias or the like.

May I suggest that you are now harvesting the fruits of the failure of your Government's information service? Who, in Germany, has heard of a British information programme only half the size of the American effort? Deeds you don't advertise are generally little appreciated, let alone activities you don't even care to talk about. Nowadays, a flat statement of one's case will not do; facts must rather be presented in such a manner as to persuade and win over public opinion. In doing so, however, truth must not be distorted in its real meaning. Thus, during the past many a thoughtful German observer was surprised at the little regard your Government, acting through the UK High Commission in Germany, showed for the power of public opinion. The United States, apparently, was much more wisely advised on this score. But, may be, I am all wrong because I haven't had access to the proper information.—Yours faithfully,
Frankfurt-am-Main KLAUS BETZEN

Imperial By Default

SIR—Is your journal the latest to imply (on January 23rd) that Australia is amongst the dominions that have had recourse to "their war-accumulated sterling balances, which have now been drawn down"? The allegation has been made explicitly in other sections of the London Press. There is no substance in it. Australia's sterling balances are more than 2½ times as great as the £200 million held at the end of the war. Even during the 1952 recession, the balances remained at least 75 per cent higher than the 1945 figure.

Australia has, indeed, run down some of the sterling balances which have accrued through capital inflow rather than balance of payment surpluses since the war. The net addition to the balances is not as great as the capital inflow over the period. But if that is a ground for British complaint, the argument will require skill in the couching. Had Australia not converted some of the huge inflow of funds into physical imports, the results would have been extremely inflationary.

Australia has been charged with a second crime of having spent more dollars than it contributed to the dollar pool. It has, in fact, taken a net \$207 million from the pool in four years. Nobody is particularly proud of that, but it might be remembered that in the postwar period Australia has been concurrently a creditor to sterling, in the sense that it has accumulated £350 million of sterling balances, after deducting the equivalent of all the dollar deficits. If it had been the other way round, if Britons had piled up a creditor position with Australia amounting to 15 per cent of their national income, they might understand why it is irksome to be compelled, in spite of that credit balance, to send Treasury officials traipsing around the world on yearly quests for relatively puny loans (of the order of £10 million) in Swiss or dollar currencies. Again, however, Australia is now making more strenuous efforts not to drain the dollar pool. This year, despite the low American purchases of wool, it is hoped to break even.—Yours faithfully,
Sydney T. M. FITZGERALD

[How can it be said that Australia has been currently a creditor in sterling if its borrowing (i.e., the capital inflow) has exceeded its lending (i.e., on the sterling balances)?—EDITOR.]

Top of the Form

SIR—We have been readers of *The Economist* for some time and were rather shocked upon reading the issue of January 23rd. On page 222, under the heading "Kalahari Cattle," we find that you have named the ocean washing the south-east shores of South Africa as the Pacific Ocean, when, of course, it should be the Indian Ocean.—Yours faithfully,
J. BARBER
D. EDWARDS

Brentwood School

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Soviet Economic Challenge

SOVIET ECONOMIC GROWTH: Conditions and Perspectives. Edited by Abram Bergson. Row, Peterson and Co. (USA). 382 pages.

THIS book is the fruit of a conference in which 31 leading American specialists pooled their knowledge in order to appraise various aspects of Soviet economic development and to explore uncharted roads of future growth. The resulting retrospect and prospect has been hailed in some quarters as the most important event in economic writing since the publication of Keynes's "General Theory." This is rather silly; obviously there is little in common between a major theoretical work by an original thinker and the collective stock-taking by researchers in an applied branch still in its infancy. Furthermore, a symposium is almost bound by its very nature to be uneven in quality. Yet, in one respect this book could and should create a stir. The exceptionally rapid growth of the national cake throughout the Soviet world implicit in most of the arguments in this book might well shock many complacent Western economists sitting on this side of the iron curtain like Chinese mandarins behind their wall.

The claims of Soviet propaganda are normally dismissed with a shrug. But this is a critical, in some cases a very critical, appraisal. Its authors cannot be suspected of any sympathy for the Soviet regime and its methods or accused of naive credulity. Some contributors have rather erred on the side of undue caution, approaching every Soviet figure with utmost suspicion. Even so, after deflating the exaggerated Soviet claims out of recognition, American experts agreed that Soviet national income is probably rising by about six and a half to seven per cent per annum and that industrial production is expanding even more rapidly. This is an incomparably faster rate than that prevailing in any Western country. It should also be remembered that Soviet growth is uninterrupted by slumps and that the years chosen to compute this average were not years of "boom" reconstruction but normal peace years.

In the economic race between East and West, the older industrialised states started miles ahead and, thanks to American supremacy, still enjoy a fair advantage. Yet, in a handicap race over a long distance the runner with a longer stride is bound to close the gap. On the other hand, the late starter often spurts for a while and then slows down. Can Russia maintain its pace? Many factors point to the contrary: the scope for bor-

rowing technological advances from elsewhere is narrowing; the rate of growth of the industrial labour force is slackening; the necessary provision for housing, transport and so on cannot be postponed indefinitely. But the law of diminishing returns is not a safe guide in a changing society. One of the contributors, after balancing the pros and cons, came to the conclusion that

Soviet industrial output in the next decades will increase at a rate not very much less than the prewar rate... and substantially greater than the United States rate...

Professor Hodgman suggested a rate of about 8 per cent per annum as a reasonable guess. At that pace Soviet output in 1970 would be four and a half times as great as in 1950.

The prospect is staggering, but since the subject-matter is dynamic accurate prophecies are not an easy task. This book was written before Stalin's death and the assumption in most arguments was that light industry would be neglected and investment concentrated on heavy industry. The pledge made by Stalin's successors to improve rapidly the consumer's lot may affect this premise, though it is unlikely to slow down the rate of growth very considerably. Thus, unless the West lengthens and steadies its stride, the Soviet Union and its third of the world will progressively narrow the gap. One may dislike the regime, its methods, even the composition and use of its final product; it would be foolish to ignore its economic achievements. Efficiency is one of history's criteria.

Professor Bergson has placed many in his debt by collecting and editing the fruits of this conference. The book is aimed primarily at the expert and should provide him with a mine of information and a basis for argument (luckily the participants themselves did not see eye to eye on every topic). But it could and should also be read with profit by all interested in foreign affairs and particularly by economists. The essays and comments may be uneven, but here at least is presented a summary of the West's knowledge of the Soviet economy in all its aspects. Here the Western economist can find, written in his own terminology, much to learn and to compare, and should he seek to find some more the copious footnotes are a guide to further reading. The veil of percentages covering the Soviet economy repels outsiders, but when it is gently lifted by an obliging hand there is no longer an excuse. The Chinese paid dearly for their mandarins' lack of curiosity.

The Gadarene Peers

MR BALFOUR'S POODLE
By Roy Jenkins.
Heinemann. 224 pages. 21s.

"THE House of Lords is not the watchdog of the constitution; it is Mr Balfour's poodle." Thus Lloyd George in 1908, and this book is a history of the famous political dog-fight which began with the overwhelming Liberal victory in the election of January, 1906, and worked up to its climax in the rejection of "the People's Budget" in 1909 and the enforced enactment of the Parliament Bill in 1911. As political stories go it is the best in our annals, even though it lacks the huge popular turmoils that accompanied the enactment of the Reform Bill of 1832. It is high political comedy undisturbed by crowd scenes. The crowds looked on. They did not even bother to vote at anything like their full strength in the 1910 elections.

Mr Jenkins tells his story extremely well and, though he is himself a Socialist MP of the younger generation, with a most commendable impartiality. He threads his way through the often tangled story, the biographies of all the leading actors at his elbow, with unflinching dexterity. A good example of his skill is furnished by his account of the interventions of Lord Knollys. Here is certainly a confusing tale and the reader will feel that the author has got to the bottom of it. Balfour and Lansdowne are of course his principal characters, and though Mr Jenkins does not much admire either of them, he treats them with fairness and understanding.

Almost everyone, even Mr Amery, would agree today that the Lords acted with Gadarene absurdity in rejecting the Budget and "die-hardening" over the Parliament Bill, and, since they were by nature just as sensible as we are, the question arises, why did they do it? Partly, they were intoxicated by the successful results of their wholesale rejection of Liberal measures in 1893-95. Partly, by the maladroitness of the 1906 Government in offering them such easily slaughtered lambs as the Education Bill of 1906 and the Licensing Bill of 1908, measures demanded by political pressure groups with no popular appeal behind them. But there is a further reason. There were "Bloods" in those days. Many will have recently read Mrs Woodham-Smith's book, "The Reason Why." Though Cardigan and Lucan had long been dead there was still plenty of what one may call Cardiganism in the British aristocracy.

Even those who think they know the story well will probably add to their knowledge by reading this book. One knew, for example, that the two elections of 1910 produced almost identical results, but did one realise that 56 seats changed their allegiance, 27 from Government to Opposition and 29 from Opposition to Government? In pre-radio days each constituency was much more swayed by local prowess. It is also a little known fact that only 24 out of the 44 Finance Bills since the enactment of the Parlia-

ment Bill have been certified by the Speaker as Money Bills and thus exempted from interference in "another place." But the other place has not interfered. The burnt child...

Mr Hoover's Rehash

THE MEMOIRS OF HERBERT HOOVER. Vol. III *The Great Depression, 1929-1941*. Hollis and Carter. 518 pages. 30s.

"MRS HOOVER and I left the White House without regrets except that the job of recovery and some needed reforms were incomplete." This sentence stands out as prominently as the Washington Monument from the surrounding prose of Mr Hoover's "Memoirs," not only as a masterpiece of historical understatement but also as the solitary admission these pages afford that Mr Hoover's tenure of the presidency was in any respect inadequate.

For 500 pages Mr Hoover looks back over his years in office and the New Deal epoch that followed them, and fails to find any errors in the first or any virtues in the second. A depression? Certainly there was a depression. But it was none of the Republicans' doing. Initially it was only a "readjustment" such as a healthy American economy must needs make from time to time. By early 1931 President Hoover's corrective programme (operating well within the limits imposed by "the American System") was already restoring America to health. But then infection from the European plague spot caught America while it was still convalescent, swept it into a high fever and exposed it to the still more deadly maladies of collectivism and regimentation. A Democratic Congress thwarted Dr Hoover's efforts to minister to America's needs and a dishonest election campaign drove him from his patient's side. Worse still, Dr Roosevelt deliberately aggravated her condition in order to win the greater credit for effecting a cure. Did he then effect a cure? Certainly not. The New Deal offered remedies more deadly than the disease, took advantage indeed of the patient's weakness to inflict on her a fate worse than death. Thus the title of this volume, "The Great Depression," reflects no careless error of taking the part of the whole; as Mr Hoover sees it, the Depression continues throughout all the years of Rooseveltian "recovery" and was only terminated by the substitution of a war for a peace economy.

This is not necessarily a discreditable thesis and Mr Hoover is a man who has every right to defend himself against the short-run verdicts of the thirties. This volume ought, therefore, to be a welcome addition to the history of the period, a first-hand restatement of the case for the losing side. Alas, it is none of these things. It is a dreary, sodden rehash of Mr Hoover's state papers and public speeches. ("I have never delivered a ghost-written public statement of importance." Oh, too, too solid flesh!) It adds nothing—and, worse, takes nothing away—from all that Mr Hoover

said at the time. It reveals something of his feelings, but nothing of his personal or official relations that was not known at the time. It is the record of a man more sinned against than sinning, but it stifles incipient sympathy beneath blankets of self-righteousness. It provides, in short, the perfect corrective to any revisionist history of the New Deal.

A Wool Monopoly

THE SHREWSBURY DRAPERS AND THE WELSH WOOL TRADE IN THE XVI AND XVII CENTURIES.

By T. C. Mendenhall. Oxford University Press. 255 pages. 21s.

THE struggle between free trade and controlled marketing has a long history and is effectively illustrated by Dr Mendenhall's study of the Welsh wool trade during the centuries immediately preceding the industrial revolution. For two hundred years the Shrewsbury Drapers' Company maintained a trading monopoly in cloth from the Welsh hills through the border markets to London, Bristol and abroad. In Wales, cloth making, employing 100,000 people, was a cottage industry, undertaken mainly to supplement farming or grazing, and there were no conveniently located towns in which to form craft guilds of clothiers. The farmers were too poor to organise the sale of their cloth direct to the London merchants, while the London merchants were reluctant to buy from the widely scattered producers of north and central Wales. This gave opportunities to the border towns; but Shrewsbury gradually displaced its rivals, and the drapers being the largest body of experienced cloth dealers on the border established for themselves the role of capitalistic middlemen which was almost unique in Britain's wool trade.

The drapers' strength was based on their long experience as a guild; the capital which enabled them to pay cash badly needed by the Welsh producers; better organisation than the shearmen who did the finishing processes in Shrewsbury; and knowledge of the London cloth market at Blackwell Hall. Especially in Tudor times they were supported by Government authorities, who believed that organised marketing ensured the greatest good to the greatest number and was preferable to the uncertainties of free competition. The drapers' monopoly was, however, frequently challenged. In Stuart times they were attacked on the ground that the multiplicity of buyers is the life of any market, and that the drapers impoverished the Welsh producers and injured the export trade by forcing up prices in the London market. But the drapers showed constant vigilance, lobbied astutely in London, and by shrewd policies succeeded in guarding their monopoly against interlopers.

Anyone interested in the results of specialised research into the economic history of Britain's main industry in Tudor and Stuart times will find much useful information in this book. The author has made good use of available

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sources, and his study adds another region to those of Heaton and Ramsey for making a countrywide mosaic of the woollen industry and of trade in cloth.

Shorter Notices

AGRICULTURAL ECONOMICS.

By D. S. Chauhan. Lakshmi Narain Agarwal, Agra. 362 pages. Rs 12.

In this small volume Mr Chauhan has attempted to provide an introduction to the study of agricultural economics as a "specific aspect of the social science of economics," illustrating and applying his generalisations and principles by reference to Indian conditions and problems. The treatment of the various subjects discussed is very unequal in method and value. Some topics are illustrated mainly by reference to the past, ignoring important recent developments, whilst others include almost up-to-date material from the Five Year Plan.

But although the author's attitude is not always clearly expressed, his views are broadly based—bringing together data from various social spheres—and the policies advocated are sensible and realistic. For the European reader by far the most valuable chapters are those on "Land Utilisation," these include concise yet illuminating accounts of the River Valley and other rural development schemes which have been brought under the Five Year Plan. These accounts are well illustrated by simple maps (and tables) which help the reader to locate and visualise the nature, scope and progress of these projects in a manner not always achieved by the formidable reports from official sources.

On the other hand Mr Chauhan does not even mention the manifold agricultural problems arising from the prevailing land and tenure systems and policies, and completely ignores a number of fundamental recent trends, such as the movement towards the abolition of Zamindari and the community projects sponsored by the Five Year Plan. It is true that the latter projects had not actually been started when Mr Chauhan wrote his book, but they were projected; and it is a pity that he did not discuss their potentialities, as he seems to be well qualified by temperament and outlook to appreciate their importance.

★

SOVIET UNION IN MAPS.

Edited by George Goodall. George Philip. 33 pages. 4s. 6d.

The object of this atlas is to give a general picture of the Soviet Union's background and development. It contains historical, physical, political, climatic, economic and communications maps, each accompanied by interesting explanatory notes.

Although the maps are clear the agricultural pages are confused by the use of red names of crops and livestock overprinted upon a too heavily detailed black base map. Greater effect could have been achieved if the number of towns on the black key had been reduced and all railways omitted—these are adequately provided for on maps devoted to rail communications. A defect is the absence of maps or charts illustrating the output of the Soviet Union's major industries compared with the output of similar industries in other countries.

Apart from these criticisms this atlas provides a most interesting source of information at very low cost.

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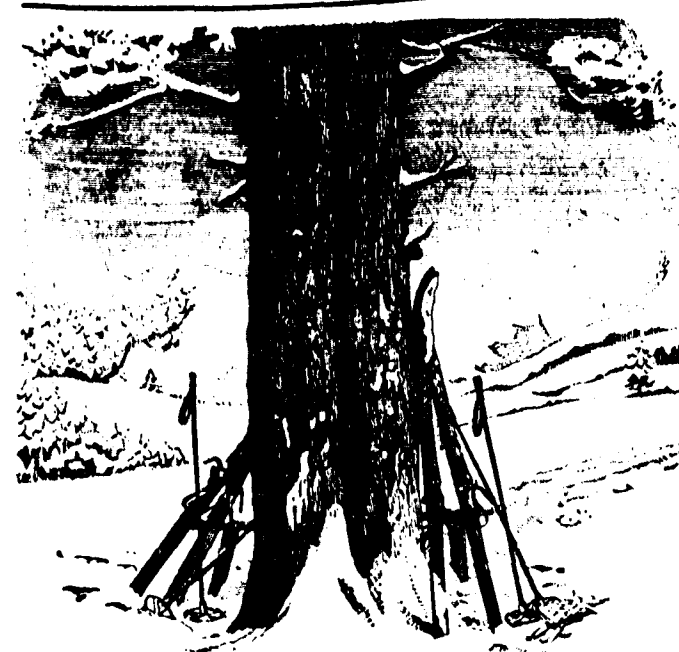
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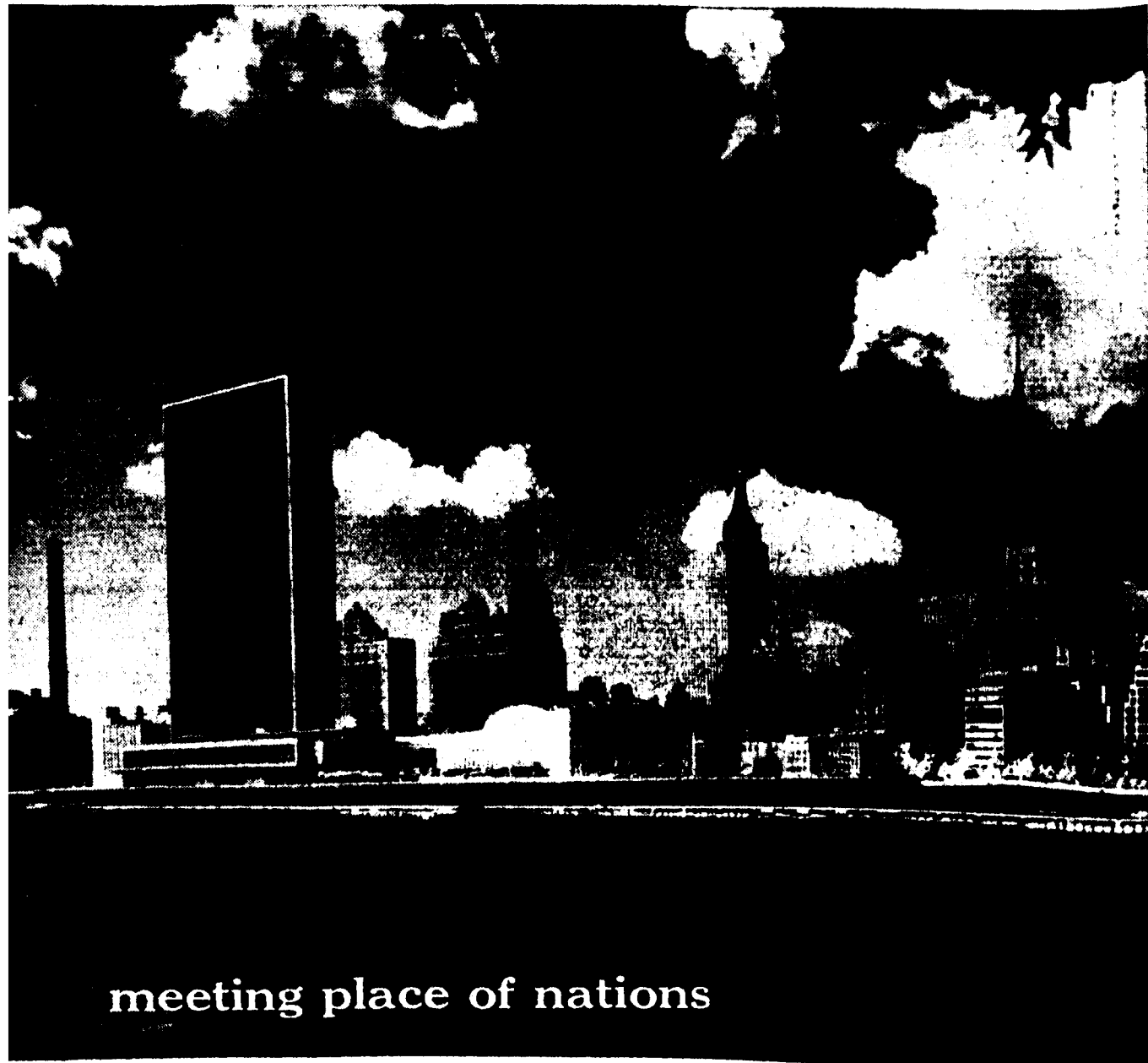
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American Survey

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Security by Numbers

Washington, D.C.

IT was on October 23rd last year that a special press release from the White House quoted a report, from Mr Philip Young, the chairman of the Civil Service Commission, stating that 1,456 civil servants had been "separated" under the new security scheme by the end of September. This new scheme had only been in operation since May 27th, and the obvious haste with which the report had been compiled, two months before Mr Young was obliged by executive order to provide it, aroused suspicions that were only heightened by the reckless use to which it was soon put by speakers associated with the Administration. In January, in his message on the state of the Union, President Eisenhower advanced the figure to 2,200 and, while no one questions the President's integrity, many people suspect that political strategists are lurking behind it.

Under Mr Truman's loyalty programme a civil servant could be dismissed if there were "reasonable grounds" for thinking him "disloyal"; now no civil servant can retain his position unless this is considered "clearly consistent with the interests of national security." President Eisenhower has laid it down that no man should be publicly labelled disloyal except in a court of law, but that on the other hand to serve the government is a privilege and not a right. Obviously this broad approach has much to recommend it, but its whole essence is that suspected subversive activity is only one among many possible reasons or combinations of reasons for the removal of a civil servant. To guide the responsible heads of government departments, eleven types of conduct are defined as being inconsistent with security. They include, of course, sabotage, espionage,

unauthorised disclosure of secret information, and so on. But they also include other wide categories of behaviour, such as "any criminal, infamous, dishonest, immoral or notoriously disgraceful conduct, habitual use of intoxicants to excess, drug addiction or sexual perversion"; and "membership, affiliation or sympathetic association" with a comprehensive list of undesirable groups or individuals. A civil servant in any position, not merely a sensitive one,

is to be dismissed if any facts come to light which "furnish reason to believe that the individual may be subjected to coercion, influence or pressure."

It seems clear from case histories, such as those recently published in a series of articles in the *Washington Daily News*, a Scripps-Howard paper, that all these definitions are being strictly construed. Men and women are being discharged as "security risks" for occurrences which have no connection with subversion and would not be regarded as disqualifications in most spheres of employment. While the government is fully entitled to take this attitude if it wishes, there seems to be no excuse for the use by responsible people of total figures relating to "security" in arguments

concerned with "subversion." Indeed, the only hope of success for President Eisenhower's policy for the civil service, after all the emotion that has been spilt, would seem to lie in restraint and calm on the part of his supporters.

But if there is one motive which works upon the President's advisers more powerfully than the desire to show before the next election that the Democrats really did leave a "mess" in Washington, it is the desire to show that a Republican Administration is capable of clearing it



Herblock in the Washington Post

up without assistance from even a Republican Congress. The Administration's new brooms must be seen at work, and the hastily compiled total of security risks discharged was triumphantly compared with the number of dismissals for disloyalty under Mr Truman, rather as if a Communist production norm had been overfulfilled. Mr Bernard Shanley, who as counsel to the President ought to have known better, boasted in a speech in New Jersey that "1,456 subversives have been kicked out of government since the President took office." Both Senator McCarthy and the President have used the figure—the Senator to show how large the danger of subversion was proving to be, the President to demonstrate how rapidly it was being removed. In this atmosphere one of the main objects of the new policy was lost. The stigma of being "a security risk" is now no less than that of being considered "disloyal"; it is only more easily acquired.

★

It was hardly surprising therefore that the figure of 1,456, and the later one of 2,200, should have been scrutinised critically. Reporters used every chance of discovering how many of these "separations" were of people representing genuine security risks and how many of the security risks were genuine subversives. Mr Young admitted at the outset that only 863 of the 1,456 had actually been dismissed; the remainder had resigned when they became aware that the government had adverse information about them. This, of course, does not necessarily mean that they were admitting the charges; as some of the case histories in the *Washington Daily News* show, many may have resigned because they did not relish being suspended for months without pay, incurring heavy legal expenses, and trying to refute allegations that were anything but clear. Moreover, on January 13th the President conceded at his press conference that, when sending in their figures to be consolidated by the Civil Service Commission, some departments might have included people who had left their jobs in the normal way without being aware that there was derogatory information about them or that they were being investigated.

The Navy had already conceded as much and the Alsop brothers, in their syndicated column, have claimed that there has been the same type of inflation in the State Department. They say that, of the 306 "security risks" in that department which helped to make up the total of 1,456, only 29 were "dismissed for cause," and that Mr Scott McLeod, the department's security officer, admitted that not one was a Communist; only 11 cases involved "loyalty reasons," and the investigation of 7 of these had been begun under the Democrats. Mr McLeod also admitted, in public, that his detailed regulations for deciding these cases were published less than three months before the Civil Service Commission's report appeared, and that by the beginning of this year no final hearings had yet been held under the new system. When Mr Brownell, the Attorney General, for whom complete credit for the programme had been claimed by his patron, Mr Dewey, was closely questioned about the figures, he refused to answer for anything except the Department of Justice, where "the majority of cases did not involve disloyalty, but other types of security risks." In fact "only one" of the men dismissed from that department had been a former member of the Communist Party.

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Congress, as well as the press, has taken up the trail. The Un-American Activities Committee of the House of Representatives has called for an analysis of the figures, and the senior Democrat on the committee has said that only seven of the President's total of 2,200 were Communists or members of organisations on the Attorney General's list of subversive groups. A Republican Representative has said that her information is that "ten per cent or less" of the cases involved any question of disloyalty. Even among the Administration's supporters there is growing uneasiness about what newspaper writers are calling the "numbers game" and "political fakery."

What looked like a shrewd move in psychological warfare on the home front last October appears rather less than inspired today. The President has promised to see if the figures cannot be analysed and no one is going to let him forget the promise. Meanwhile the civil servant's lot is not a happy one, for if he is so bold as to resign he cannot know what kind of reputation will be pinned on his back as he walks out of the door.

Every Man a Capitalist?

FROM A CORRESPONDENT IN NEW YORK

THE New York Stock Exchange, eager to expand the pool of investment capital which underlies its activities, has at last put into operation its much-discussed monthly investment plan for people of moderate means. The first purchase, bearing evidence of having been as carefully planned in advance as is the appearance of the first man to cut a ribbon and cross a new bridge, took place at one minute after the exchange opened on January 25th. The purchasers were a married couple in a suburban area who bought 1,1794 shares of a copper stock at \$32 a share. They plan to spend \$40 a month (including the broker's commission) regularly on such shares, over a period of at least two years. Under the new plan, the minimum which can be invested is \$40 a quarter; the maximum is \$1,000 a month. That same day 657 other shares of American companies were sold to 484 other individual participants in the new plan, and by the beginning of the second week 4,054 shares had been bought for 1,674 individual accounts.

In a market which considers business poor when fewer than a million shares change hands in a day, the first week's experience with the new plan is hardly impressive. But this campaign is long-term. Its proponents point with pride, not to the small number of shareholders who have already embarked on buying plans (and who may or may not have been new to the market), but to the great number of inquiries at investment houses which resulted from newspaper and magazine advertising during the week.

It is no new discovery that risk capital of the kind which nourishes the stock exchanges has not been expanding in proportion to the growth of the American population. The creation of great fortunes, once the mainstay of the markets, has been discouraged by taxation, and the prosperous middle-classes have failed to fill the gap. Just how marked their abstinence has been was the subject of a recent study by the Brookings Institution, which found that only about 6,500,000 Americans are shareholders, and that only one out of every eight adults financially able to buy shares actually does so. Among professional men and merchants,

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GRASSLAND is one of Britain's greatest national resources, for grass is the natural food of cattle and sheep, and upon its abundance and quality depends the production of more meat and milk. To-day—in a world seriously short of these things—the improvement and development of grassland is recognised as the foundation of our agricultural expansion. It has not always been so, and it is largely due to the vision and patient researches of a few pioneers that the essential knowledge and techniques are now available to the British farmer. I.C.I. was among the first to apply scientific methods to the many problems connected with growing grass, raising its nutritional value and ensuring that the most efficient use is made of it. As long ago as 1928, an I.C.I. experimental farm was established at Jealott's Hill in Berkshire where practical research in grassland management was undertaken.

The benefits of this and other work have been far-reaching—from the development of new methods for controlling the grazing of cattle to the production of improved fertilisers. I.C.I.'s "Nitro-Chalk" for example, has shown remarkable results as a grassland fertiliser. Its use not only raises the food value of grass, but makes it grow more abundantly and for a longer period, thus extending the grazing season and helping to save imports of cattle feeding-stuffs. Another I.C.I. development is the drying of grass by machines, a method which makes it possible to preserve its full nutritive value almost indefinitely. I.C.I. is still pioneering, and the new knowledge of grassland problems that it is gaining will help the British farmer to produce still more from British acres.

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only just over 10 per cent own shares, while fewer than half the business executives, the group with the highest proportion of share ownership, hold shares of any kind, even in their own companies.

Mr Keith Funston, the president of the New York Stock Exchange, is given official credit for the fiercely debated "pay-as-you-go" plan by which the exchange hopes to tap the savings of these potential investors. It was hailed, in the beginning, as a method of investing on the instalment, or hire-purchase, plan by which Americans customarily invest in automobiles, refrigerators and television sets, but this kind of publicity has been firmly repressed. Mr Funston's letter of November 30th to members of the exchange calls the scheme a "monthly investment plan" to satisfy "the widespread demands for a uniform method of buying listed shares by regular periodic purchases on a pay-as-you-go cash basis." He also notes that it is designed to reduce book-keeping and office work, so that member firms can handle small recurring transactions profitably on the usual commission basis. This is important to the investment business, which is beset by rising labour costs and is not yet able to apply the customary American cures of the assembly line and the mechanised process.

It is hoped by the proponents of the plan that companies wishing, or willing, to sell their shares to their own employees may be allowed to deduct the appropriate monthly payments from the pay cheque, but certain legal difficulties have not yet been cleared up. In a period of falling employment, when men are finding their pension rights imperilled by the threat of lay-offs and reductions in staff, it is only reasonable that a new scheme which assumes a steady income for at least two years should be given the closest scrutiny. This is so, even though purchasers may cry off without incurring any penalty. Responsible officials can hardly take the small town doctor in Texas, who optimistically signed up for \$999 worth of shares a month for two years, as typical.

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So far the New York Stock Exchange, where the monthly investment plan originated, is the only one to put it into practice. The American Exchange in New York (formerly known by the more picturesque name of the Curb Exchange) has considered, but not adopted it. The reason given is that whereas the New York Exchange has among its member firms two odd-lot houses big enough to take on the complicated job of executing the orders, similar facilities do not exist among members of the American Exchange.

But outside New York City, the Midwest Exchange is actively considering adoption of the plan, and the Los Angeles Stock Exchange is arranging to offer invest-as-you-go facilities on the West Coast. Boston is being bombarded by persuasive speakers bearing an impressive packet of selling suggestions, explanatory booklets, sample advertisements addressed to the man in the street, lures aimed at the timid by mail—all of this prepared at considerable expense to make things easy for the member firm to woo new customers.

Meanwhile laymen who approach the problem from the investor's point of view make three points about it. In the first place, the plan is an example of what is called, by the knowing, straight dollar-averaging, a theory approved by that section of the investing world which thinks that putting the same number of dollars into the same shares over a period of months, however their price may rise or fall, is a sound way of getting one's money's worth. In the second place,

the fact that the plan has begun slowly, in a period of economic uncertainty, may augur well for its future. If it wins adherents now, when men think twice about investing their money, it may hold them when financial decisions come more easily.

The third observation, however, is that if any substantial change is to be made in the money-handling habits of the middle class it will be done only after a long and intensive educational campaign. Americans are more wedded to their customary ways of doing things than the casual observer might suspect. They were told, during the depression twenty years ago, that thrift was unpatriotic and that they ought to spend. But one of the lessons of that depression seemed to be that security was the greatest good, the security obtained by keeping up payments on insurance, by paying taxes for protection against old age, and by joining private pension schemes. Now Americans are to be taught (at least by implication) that security lies in taking risks, that the wise security-seeker, as well as the patriot, buys ordinary shares, and with them a stake in the country's future.

This new campaign may work. A great deal of money and time is being spent in the hope that the ownership of American industry may be significantly widened and new life brought to the stock exchanges. But first there are ghosts to be exorcised—the shades of those clerks, messengers and lift operators who learned in the nineteen twenties how to invest their weekly pay in fractional shares and whose lessons cost them very dear.

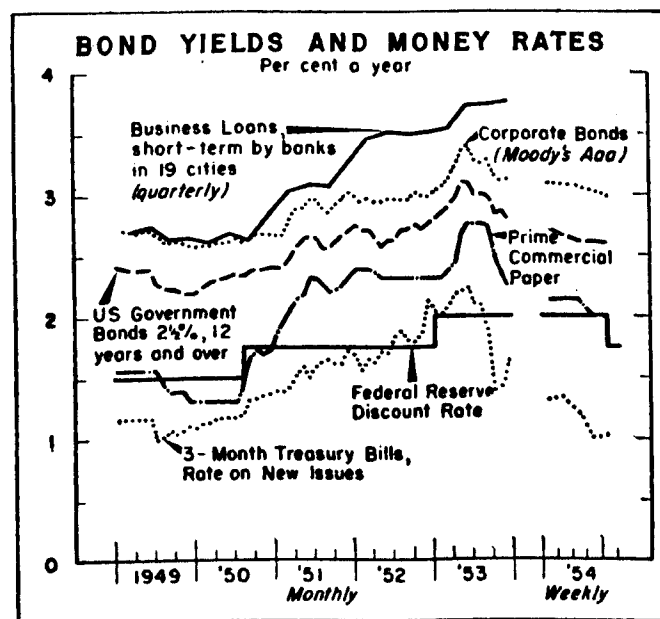
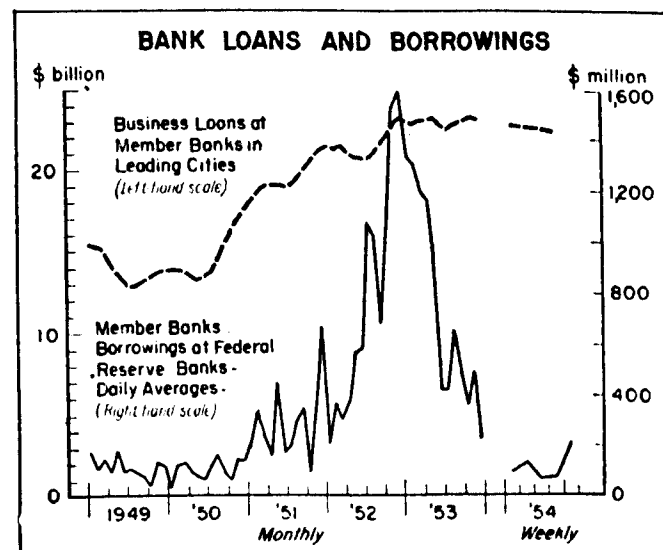
American Notes

Money for the Asking

THE chairman of the Federal Reserve Board, Mr Martin, had the same reassuring but realistic approach to the present economic situation as did the other high officials who testified last week before Congress's Joint Committee on the Economic Report. But on the following day the Federal Reserve Banks began to reduce their rediscount rate from 2 to 1½ per cent and made it look as if, when Mr Martin's "cautious optimism" was assessed, the adjective should be given more weight than the noun. The formal explanation was that the Federal Reserve System, in reducing its borrowing charges to its member banks, was merely recognising the end of the inflationary danger against which it had raised the rediscount rate a year earlier, and was bringing its charges into line with the general decline in other interest rates. Sound as are these reasons for the reduction, observers may be excused for seeing in it also an insurance by the Federal Reserve Board against being blamed should the present readjustment deepen into a recession, as it was blamed last year when the boom turned into a readjustment.

In fact, of course, the board long ago abandoned its restrictive money policy and has for months been encouraging a steady easing of credit; this has driven interest rates down until, in the last week of January, 3-month Treasury bills were cheaper than at any time since 1949. The drop in the rediscount rate is already affecting other

borrowing costs and it is thought to be only a matter of time until the downward trend is followed by the interest charged on business loans; the basic prime rate has held at 3½ per cent since last April. What the Federal Reserve Banks are in effect doing by lowering the rediscount rate is urging their members to expand the supply of credit,



and thus to make sure that shortage of funds does not prevent private enterprise from filling the gap left in the economy by the decline in government expenditure. However, it is not a shortage of credit, but a shortage of demand for it, that has kept business loans so low recently. Demand is expected to improve as the spring taxpaying season draws near but, as long as inventories are being held down, the need for credit will be reduced.

Cheap Rates at the Treasury

THE plentiful supply of money has made it possible for the Treasury to undertake the largest refunding operation in American history at cheap rates. Holders of five

types of government security, worth altogether over \$20 billion, were offered a 7½-year bond at 2½ per cent; owners of the two securities maturing in February and March could, if they preferred, exchange into a 1-year certificate at 1½ per cent while the owners of the other three, which do not mature until June, may be offered another choice later. This may come at the end of March, when there will be room under the present debt ceiling for the Treasury to borrow new money, for the first time this year—unless meanwhile the Senate has agreed to raise the ceiling, something which it is not inclined to do. It appears that holders of about \$4 billion worth of the maturing securities are either waiting for another offer, or prefer to be paid in cash.

The Treasury is expected to group all its borrowing into three or four similar large-scale operations this year, so that it will not have to go to the market so often—nine times—as it did last year. In spite of all the talk of lengthening out the maturities of the public debt in 1953, in fact at the beginning of 1954 nearly 27 per cent was due for repayment within twelve months, compared with only just over 15 per cent a year earlier. But this situation has now been much improved: over \$10 billion of the new longer-term bond has been taken up, compared with \$6.6 billion of the short-term certificate, and in addition 2½ per cent is a more satisfactory rate than could have been obtained last year.

NLRB's Fifth Man

THE appointment of Mr Albert Beeson, a businessman, to fill the fifth place on the National Labour Relations Board has precipitated another of those disputes over "conflicts of interest" with which the history of the Eisenhower Administration has been studded. The law, which was passed in 1917, stipulates that no person or association or corporation shall contribute to, or supplement in any way, the salary of any employee or official of the government. But executives going into government jobs, usually for a short time and at a financial sacrifice, are understandably reluctant to pull up all their roots, particularly if these involve pension rights.

Mr Beeson, who was appointed for a year, was unwary enough to tell a newspaperman that he proposed to return to his job as director of labour relations for a machinery firm when his time was up, and then foolish enough to deny his confirmation, that he had ever said such a thing. The appointment was approved by the Republican majority on the committee, but when the Democrats discovered that Mr Beeson was retaining rights in his firm's pension fund, two Republicans agreed that further consideration was desirable. Mr Beeson has now offered to make a clean break.

It is being noticed in Washington that although Mr Wilson, the Secretary of Defence, and his deputy, Mr Kyes, were forced to sell their industrial shares before they were allowed to take office, Mr Durkin, during his short stay as Secretary of Labour, made no pretence that he was on anything but a leave of absence from his trade union; when he resigned, he returned to the bosom of the plumbers without any delay. The National Labour Relations Board is, however, a quasi-judicial agency, which administers the

Taft-Hartley Act and deals with disputes arising under it. The Democrats insist that no direct representative of either management or the trade unions has ever been made a member.

The agitation over Mr Beeson certainly would not have been so acute if it had not been realised that he was likely to cast the deciding vote on many controversial issues. At present some twenty cases are held up because the membership of the board is divided two and two between holdover Democrats and Mr Eisenhower's appointees. The trade unions and their Democratic allies contend, and even Mr Beeson concedes, that in labour relations the decisions of the board are far more decisive than any legislation Congress may pass. There is no doubt of Mr Beeson's personal integrity, but it is felt that his background in management who helped him to get the job, mean that the scales will be weighted against the trade unions if his appointment is confirmed.

Encouraging the Golden Goose

OSTENSIBLY the twenty-five changes in the tax laws which the President recommended and which the House Ways and Means Committee hopes to have ready before the end of the month are technical. But Mr Truman has been quick to sniff out, in the business reliefs, a "rich man's tax Bill" and a promising political issue, while in Congress the Democrats have been arguing that when over-production is the order of the day, it is consumers, not producers, who need encouragement.

The Secretary of the Treasury, Mr Humphrey, and the chairman of the Federal Reserve Board have refused to be shaken, however, in their belief that business—"the goose that lays the golden eggs"—must be encouraged to expand and to modernise its equipment if payrolls are not to suffer. The chief means proposed to stimulate economic growth is the "declining balance method," can charge off two-thirds instead of a half of the value of a new building or machinery in half its useful life, they presumably will find it worthwhile to re-equip their businesses and keep the economy expanding. This is the most costly of the concessions contemplated, accounting for \$375 million of the Treasury's estimated loss of \$1.2 billion on the whole programme in its first year, but in the long run it is expected to pay for itself many times over.

A start is also to be made on eliminating the double taxation of corporation profits—that is, their taxation once in the hands of the corporation and a second time when they reach the incomes of the shareholders as dividends. This is to be done partly on the score of fairness, but chiefly to provide new sources of risk capital for businessmen who might not be able to ride out recessions if they were burdened by heavy borrowings. In the first year, \$50 of dividends would be tax free in the hands of individuals receiving them, rising to \$100 in the second year, while, in addition, 5 per cent and eventually 15 per cent of the remainder would also become deductible from income. Research at home and investment abroad are also to be encouraged by lightening the tax load.

If this is sauce for the goose, there is also something for

the gander: deductions of up to \$600 a year for widows or widowers who have small children who must be cared for while they are at work, and much larger deductions for medical expenses, up to a maximum of \$10,000 in a year for a married couple with children.

The Democrats, who have little patience with such isolated tid-bits, and even less with the "trickle down" theory of prosperity, voted instead in committee for an increase in the personal exemption from \$600 to \$700, and were defeated in a straight party vote. But not even Republicans can afford to ignore the benefits, in an election year, of cutting taxes where the voter can see the results. A revolt in the House, led by the influential Speaker, Mr Martin, suggests that the Administration may be forced to accept the loss of nearly \$1 billion in excise taxes next spring as the price of retaining corporation taxes which are due to expire and which it cannot do without if the budget is to be kept nearly in balance.

Insolvency at the CCC

THE intricate nation-wide loan operations of the Commodity Credit Corporation, which manages the farm price support programme, make its exact financial position almost impossible to assess at any given moment, but there is little doubt that at some point last week the corporation was insolvent. For toward the end of January, long before the seasonal peak in the demand for CCC loans was due, it was suddenly discovered that farmers were borrowing on an unexpectedly high proportion of their output and that the corporation had only \$16 million in hand, out of a total lending authority of \$6.75 billion. To meet this emergency, Congress was asked to do at once what it normally does only at the end of the financial year in June, and make up the capital losses the CCC was incurring in its operations during the current year. These losses are the result of subsidies paid out under the international wheat agreement, of sales of stocks at less than cost price and of declines in the values of commodities in storage.

The corporation calculated that this assistance, a book-keeping matter only, would give it additional working funds of over \$740 million. The House agreed, but the Senate, arguing that the estimates of losses were not supported by sufficient evidence, cut the sum to \$245 million, enough to keep the corporation solvent for only about two weeks. After days of discussion, during which the CCC went on making loans, as it is legally obliged to do, although it was almost sure that it had not enough money legally to do so, agreement was reached on a figure of \$680 million, which has probably been approved by now.

The objections in the Senate came from advocates of the Administration's flexible price support proposals, who would not have been sorry to point up the extravagance of the present system by forcing the CCC into insolvency and the rigid price support programme into collapse. It has been suggested that the same desire for dramatic effect also explains why the Secretary of Agriculture, although not daring to go so far as the Senators, let the CCC reach the brink of bankruptcy before asking Congress to save it. The corporation will not be on firm ground until its actual lending authority has been increased. The President asked in January that it should go up to \$8.5 billion, but recent developments make it doubtful whether this will be enough.

The World Overseas

Germans and the Conference

FROM OUR SPECIAL CORRESPONDENT IN BERLIN

GERMANY is an invisible Fifth Power at the Berlin Conference. The only reason why Dr Adenauer is not officially present is that, if he were there, the Communist foreign minister from Herr Ulbricht's headquarters would be there too. That would be precisely what Mr Molotov wants. But no West German political leader, whether of the government coalition or the Social-Democrat opposition, has been willing to recognise the Moscow puppet regime in Pankow (East Berlin). In the same way, the West German Trade Union Federation has rejected constant overtures made by the slave union leaders in the Soviet zone.

Even after this long record of failure, Mr Molotov has remained persistent. Early in the conference he presented a memorandum from the Grotewohl government demanding representation for East and West Germany and he has laid it down that the most important point about elections to an all-German government is that they shall be left to the Germans. If that were done, the Pankow government would be recognised *de facto* by Bonn; and the freely elected representatives of the 50 million West Germans would face, on a parity basis, the rulers of 18 million inhabitants of the Soviet Zone. On the one side would be a loose democratic coalition, and on the other a trained and compact body of revolutionaries working on instructions from party headquarters in Moscow. In this situation, Mr Molotov might well think that the West Germans would be easier to trick than the foreign ministers.

During the conference Dr Adenauer's representatives in Berlin have been consulted daily by the western leaders and the opposition leader, Herr Ollenhauer, has not been forgotten by them. But this is not all. The whole Western case for German unity in freedom rests on a fundamental assumption: that the Germans must consent to what is done. M. Bidault has led the way in affirming this point. He has argued brilliantly for a new deal for Germany, and against a dictated peace that would inevitably be broken by an all-German government.

Both sides have been so clear that the German public at this moment—later on it may become confused again—realises that two completely different programmes for unity have been presented by Mr Eden and Mr Molotov, and it learnt at the end of the first fortnight of the conference that the two are hopelessly irreconcilable. What is the German reaction, in the West and in the Soviet-controlled area?

Too much should not be expected of the Germans. The ordinary man in the street, particularly if he is an ex-soldier, is extremely anti-Russian, but not for that reason pro-western. There is a widespread feeling among these men that neither side wants German reunion, and that the West would sell Germany to Mr Molotov tomorrow if a big enough price were offered. One comment on Berlin from a porter who had fought against the Russians may be quoted: "It's all a swindle, and we Germans are just the pawns. Whatever comes out of it, there will be another war in a few years. The Americans will start it if the Russians don't." This is the voice of a big section of the public.

Nevertheless, thanks to Mr Molotov, the Western foreign ministers might have broken off the German part of the conference at the end of the second week without being seriously blamed except for impatience. They would have been criticised for not bargaining recognition of China against free elections, and their motives would have been suspected by the same highly mistrustful Germans, who are now spreading rumours that the West is preparing some dark deal over the Far East at Germany's expense. But Mr Molotov convinced all but the most blind that the Soviet Union has no intention of giving up its territory in Germany except at the price of capitulation to Communism.

In West Berlin the *Tagespiegel* last Sunday poured scorn on the Socialists for looking for trivial compromises from Mr Molotov to save their political prestige for a while. This paper takes a widespread view that the Russians will keep their promises, or yield, only when the West is more powerful than it is now. The writer admits that the western foreign ministers all see this, but "Dulles expresses it most plainly, Bidault most simply, and Eden most vaguely." Public opinion, according to the *Tagespiegel* still has illusions, but its criticism does not apply to the average Berliner. The realistic, resigned inhabitants of this wreck of a city never had much hope of the conference, because they have learnt profoundly to mistrust Russian smiles.

In the Federal Republic the conference was deliberately "played down" from the start by the press, except for the Socialist papers. This has proved wise, because the greater the disappointment the greater the reaction against the Bonn government. But there are a million refugees from the Soviet zone who have a personal stake in regaining their property and have been looking eagerly for signs of Russian

concessions. So have the Social Democrats. They were strenuously optimistic, not only because of their ardent wish for unity, but also in order to brand Dr Adenauer with the reputation of a "tendentious pessimist" who really does not want German reunion. The Socialists have not played a patriotic part during the conference. Herr Ollenhauer created a sensation by declaring in Berlin during the crucial second week that the West should buy free elections by giving up the EDC. This was widely regarded as a stab in the back, even by some of his supporters; and it was foolish because Mr Molotov continued to show that his price was much higher than simple abandonment of the EDC. The Social-Democrats then fell back on the idea that the Russians might sell out for a large western loan, which is even less likely. However little support they receive from Molotov, the Socialist leaders will continue to chase what M. Bidault called the *Fata Morgana* of unity. And whatever results, they will accuse Dr Adenauer of obstructing reunion.

The trade union leaders do not always follow the Social-Democrat line. They are quick to denounce any sign of western compromise. Compromise is in any case something which Germans regard as weakness. In West Berlin the trade union journal wrote a strong warning to the foreign ministers about Soviet strategy and tactics. From intimate knowledge of the East German workers, this paper declared that their only fear is that the West will be lured into slackening its armed strength and unity. The East Germans know, the writer said, that appeasement and compromise will bring neither free elections nor German unity. Only resistance everywhere and all the time will achieve freedom. One day, the writer hints in conclusion, the Russians will have to be faced with some kind of ultimatum, and this is the opinion of the many resisters in the Soviet zone. Above all, they want signs of western strength.

Reports of demonstrations for the Eden plan in Soviet zone factories have been exaggerated, and if the conference fails, there is not likely to be another June 17th. Resistance is far from dead, but terrorism has done its work in preventing overt rebellion. The effect in the Soviet zone of failure to achieve unity in freedom or of a compromise that is regarded as Western weakness will, according to the best observers, be twofold: many will give up their opposition and resign themselves, particularly if living conditions continue to improve. Many more will flee to the West. How many? No one can say for certain, but it is probable that the exodus, though it will be considerable, will not amount to a panic flight of millions.

After Sydney and Randall

FROM OUR OTTAWA CORRESPONDENT

THE long road towards freer monetary and trade exchanges between dollar and sterling seems here to have turned another corner. The Commonwealth, through Mr the Sydney meeting, and the United States, through Mr Randall and his dissenting colleagues, have both taken new positions.

Officially the Canadian Government finds both the Commonwealth meeting and the Randall report "encouraging." Rather surprisingly, behind the official position, the latter has caused more disappointment than the former. The

Canadian representatives, headed by Mr D. C. Abbott, the Finance Minister, found the Sydney meeting one of the most successful conferences of Commonwealth Finance Ministers there has yet been. The communiqué and the lamentably inept press reports suggested less than now seems to have been achieved. The reverse was true of the Randall Commission. The advance publicity and the inspired leaks had led to the hope that the Randall report would recommend considerably more than it has. The chief disappointment felt in Canada was bluntly described by the Canadian *Financial Post* on January 30th:

Perhaps it would be unkind to call this a Munich. But there is a tempting parallel. In almost every section the Randall Commission has offered compromises to voracious protectionist forces which like Hitler will see concessions only as a sign of weakness, and demand that much more because of them. Would it not have been better to stand four-square for what Mr Eisenhower, Mr Randall and most of the economists (in the United States as elsewhere) know to be necessary, and to have demanded drastic action to bring US conduct into line with the US position as the world's dominant creditor?

Nevertheless the Randall report's recommendation that a monetary backing for convertibility should be provided by mobilising the International Monetary Fund's \$3,360 million of gold and convertible currency is warmly welcomed in Ottawa. There is some doubt whether IMF resources alone can provide adequate support for a convertibility operation; but if the risks were spread over several European currencies as well as sterling it is thought that they might be. If the United Kingdom and the European countries think otherwise, it has been suggested that there could be a line of credit from the Federal Reserve System. In view of past history, Canadian authorities see some objections to such a course; but it must be recognised as another method by which the United States Administration could give its support and encouragement to the sterling plan without involving itself in Congressional wrangles. On the monetary side, American support looks like being much more satisfactory than on the trade side.

Shattered Illusions

At least, however, nobody now expects United States policy to be changed overnight in a few sweeping gestures. Looking back to a year ago, it seems that perhaps the whole "collective approach" of the Commonwealth conference involved some measure of illusion about what it was reasonable to expect from Washington. Canada was as much involved in the illusion as anybody. Now the sterling area will be planning on a more realistic basis, if it assumes—as the Sydney conference seemed ready to do—that there will be no great dramatic reversal of American policy but probably a gradual, steady and maddeningly slow change towards more liberal trade policies.

This by itself would not be much cause for encouragement if the Canadians had not also felt that the sterling countries of the Commonwealth were more certain than they were a year ago of their own direction. The conclusions of the London conference in 1952 pointed to policies of internal discipline, trade liberalisation and eventual currency convertibility. This was what Canada wanted. But it still seemed that the sterling governments had doubts and reservations about these principles. The main importance of Sydney was that these have now apparently

disappeared. At Sydney the direction was no longer in question, only the pace of advance.

Canadians are very anxious not to be regarded as the dispensers of unwanted advice about what the United Kingdom and its sterling partners should do. But it is natural that they should be impatient for further advances from the sterling side. It seems to them that Britain and other countries overseas are unduly nervous about the state of the American economy; and there is some fear lest this nervousness should cause them to lose the most favourable moment for allowing non-resident current-account sterling to be made convertible. It is agreed, as *The Economist* has pointed out, that this is a one-way street with no return. It is also seen here as the only street which can lead to that revival of trade on which the sterling area depends.

M. Faure's Gamble

LAST week the French cabinet approved the economic programme presented by its finance minister, M. Faure. In drafting his programme M. Faure had two urgent tasks: to meet the growing demand for an increased minimum wage and to spur on the halting economy. Once labour troubles are averted and production is on the up-grade the government can concentrate on deeper structural reforms. The difficulty is that the government is pledged not to include a strong inflationary dose in its initial medicine, while most of its members consider that to accept the demands of the trade unions would only be putting the inflationary spiral into action. To escape this dilemma M. Faure has decided to pacify the workers with a temporary half-measure, promising them at the same time a fair share in his expansion programme. This plan, covering the odd period of 18 months, foresees a growth of both industrial production and national income by ten per cent, and real wages are to rise in the same proportion.

The unions were pressing for an increase of the guaranteed minimum monthly wage from Frs. 20,000 to Frs. 25,166 recommended by the *commission supérieure des conventions collectives*. Instead of touching the minimum rates of 100 francs an hour the government has ordered the addition of a graduated "premium" of up to 15 francs for all those earning less than 115 francs an hour. It is estimated that the pay packets of about 1,500,000 workers will be affected to a greater or less degree, but M. Faure hopes that, unlike a rise in the minimum wage, the "premium" will not provoke a spate of wage claims by better paid workers. The government has also pledged itself to prevent these increased costs from being passed on to the consumer. All this remains to be tested in practice, and it is significant that the Christian Democratic (MRP) ministers have judged it worth while to dissociate themselves openly from this "notoriously insufficient" award. On the other hand, by granting at least some concession to those with the strongest grievance M. Faure may have forestalled direct action by the unions and gained a short respite in which to put his programme into practice.

It is difficult to call this programme a plan since no direct measures are envisaged to meet the ambitious targets. It is through the traditional fiscal weapons, through the encouragement of credit and investment, that general

expansion is to be promoted. The Bank of France has just announced a further cut in its rate from 3½ per cent to 3 per cent. The *Crédit National*, with partial backing by the Treasury, is to extend medium-term loans, particularly to manufacturing industry. Credit facilities for agricultural equipment will also be extended. Finally, tax reliefs for investments, which were introduced by decree last October, are to be broadened and parliament will be asked to vote this part of the projected fiscal reform in the near future.

M. Faure's great expectations are based on a great many hopeful assumptions. One was certainly necessary if anything was to be started, namely that this government—divided as it is over the EDC—can survive parliamentary assaults for 18 months. However, the discrepancy between the measures so far announced and the great results expected so soon has led some French critics to describe M. Faure's programme as a bet. He is gambling both on a very favourable turn in world trends and on a great change of heart among French investors. Encouraged by last year's bountiful harvest, by the build-up of treasury reserves, the reduction of France's EPU deficit and the growing confidence of investors after a period of relative price stability, M. Faure seems to consider that only a small push is needed to send France on the road to recovery. And for the long-term treatment of his patient M. Faure explicitly relies, among other things, on a cut in "unproductive charges," that is chiefly in defence and the Indo-Chinese burden.

Thus much luck will be needed for this programme to become reality. Fortune, it is said, smiles on the bold. But for the moment only the assumptions and the objectives are really bold in M. Faure's programme. When the fiscal reform comes on to the parliamentary agenda, when the programme has to be extended to cover "structural changes" and when it becomes necessary to tread on the toes of important pressure groups, then the government will require political courage, not only luck. The workers will not show much patience if the promised rewards are not forthcoming. More than the fate of the Laniel government, the political realignment in France depends greatly on the outcome of M. Faure's bet.

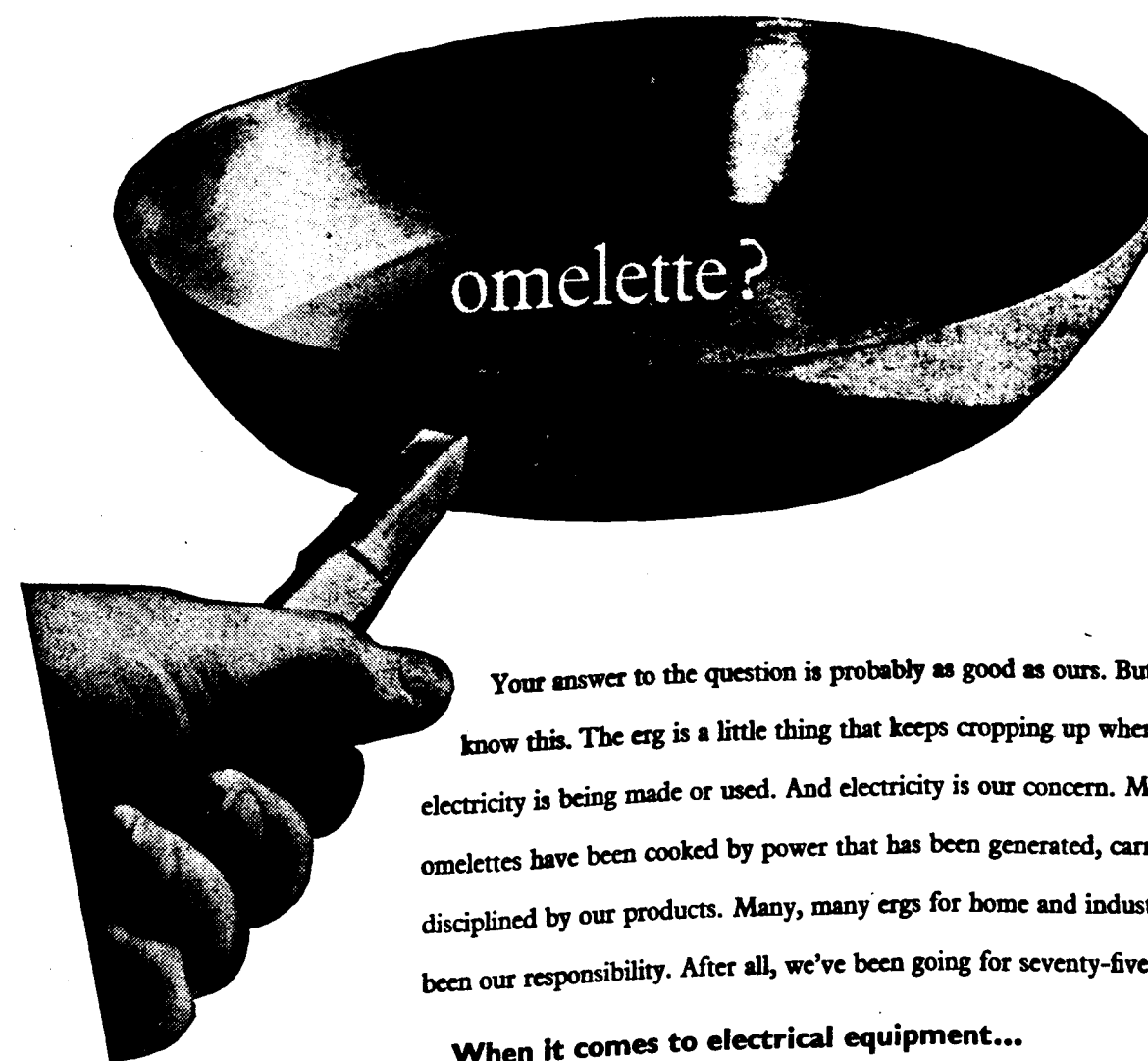
Benelux Moves Ahead

BY OUR SPECIAL CORRESPONDENT

At the moment there is much contentment in that cosy little economic unit called Benelux. It has not always been so. Early last year, when the Belgians and Luxemburgers were feeling the draught, Benelux was maligned; in Brussels there were public disturbances. Before that, in 1951, the Dutch partners were in difficulty, though they bore their adversity—with their customary fortitude—in silence. Now, however, events have moved so favourably that progress goes on apace towards the ultimate goal of full economic union.

The most recent development took place at a joint ministerial meeting in Brussels on February 5th, when a decision was reached on two important problems. By progressive steps, starting on March 1st and spread over two years, a common trade and payments policy for Benelux as a whole in relation to third countries, will be established. In effect

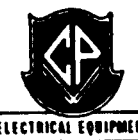
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*A footnote to remind you that the erg is the measurement of work done by the force of one dyne acting on a body through a distance of one centimetre. Take an erg to the seventh power of ten and you've got a joule, which is the work expended in a second by a current of one ampere flowing through one ohm... but why should we let that bother you?

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this means that treaties with other countries concerning quotas, financial arrangements, and other commercial details, will be negotiated by Benelux, instead of separately by Belgium, Luxemburg, and the Netherlands. The first practical step will be taken on March 1st when Benelux will present the Organisation for European Economic Co-operation (OEEC) with a common liberalisation list; at present the Netherlands has liberalised by 92.6 per cent and Belgium-Luxemburg by 87.2 per cent.

The second hurdle now to be jumped is the freeing of capital movements inside the Union. At present the Dutch have the more restrictive exchange controls, and the first effect of the decisions taken last weekend will be the release of some blocked Belgian balances in Dutch banks. Though the Belgian interest rates are slightly higher than those in the Netherlands it is expected that the tendency will be for capital to move towards the Netherlands, where its low-cost structure and industrial peace are an attraction to investors. Freedom will not, however, be restored at once as there are a number of technical difficulties to be solved; but, within

two years, it is hoped that all capital transactions will be freed thus permitting, among other things, the quotation of shares from all three countries on both the Amsterdam and Brussels stock exchanges.

The present rapid progress is largely the result of the improvement in the Dutch balance of payments. During last year it piled up a surplus with the European Payments Union, and enjoyed the rare experience of running a current surplus with the dollar area; 647 million guilders were added to Dutch gold

and foreign currency reserves in the first nine months of 1953. Though Belgium and Luxemburg enjoyed a less successful year their immensely strong EPU position still prevails. Thus the guilder and the Belgian franc have been able to face each other without embarrassment. Moreover, the complaints heard in the past that the liberal-minded Belgian economic philosophy did not mix with the Dutch mania for controls, can no longer be justified, since with the exception of wage and rent controls the Dutch economy has rid itself of the last vestige of *dirigisme*. Moreover, a 5 per cent increase in Dutch wage rates has been conceded from January 1, 1954; this will have helped to bring the wage structure in the three countries more into line.

At times it has seemed that Benelux's progress has been of the "one step forward two backward" variety. To begin with special arrangements had to be made to exclude agriculture from the rigorous free trade principle. Then later, in answer to the cry of despair from certain sectors

of Belgian industry, a complicated system of compensation and price uplift was evolved. But now that the sun shines once again on Benelux these temporary retreats are forgotten.

The architects of Benelux have often been criticised for the pedestrian progress during the phase of pre-Union; but in their own defence they can point to evidence of solid progress. Compared with 1938 Belgium's share of the Dutch market increased from 11½ per cent to 17 per cent in 1952; the Netherlands increased its share in Belgian markets from 8.9 to 15.2 per cent in the same period. On the other hand, despite this considerable achievement, it can be argued that, since Belgium's total exports increased by 26 per cent, and the Netherlands by 64 per cent from 1938 to 1952, integration has not, in the circumstances, gone quickly enough.

Elections for Malaya

THE recent report to Malaya's Legislative Council by its electoral committee is a contentious political document. Those who believe in self-government at almost any price have been affronted by the moderation of its tone. Those, on the other hand, who regard self-government as the proper expression rather than the immediate instrument of a people's political maturity, are glad of its caution in speaking of present day Malaya. For the members of the commission formed a fair and sincere cross-section of educated opinion in the community, and most of them came out in favour of a transitional stage during which the elected element on the Legislative Council would be less than half; in a minority report, however, 13 of the 42 members proposed an elected majority straightaway. The bulk of the work on the committee was done by a working party of 19 members who consisted of 10 Malays, 3 Chinese, 3 Indians and 3 British, under a British chairman.

Whatever its detractors may say about it, now or in the future, this report does provide a basis for beginning a new and vitally necessary period of political development in Malaya. The test in fact will lie in the use that is now made of the exploratory work which has been done with such care during the past few months. When the electoral committee began its inquiries, it had to start from scratch. It had to make recommendations on the most elementary principles of a suitable electoral system for Malaya, without any significant precedent to form a guide. It had to make proposals not only on the type and length of the proposed transitional period between now and full self-government, but to define in detail the strength of the case for retaining nominated members in the Legislative Council and a nominated Executive Council. It had to put forward recommendations about the size and nature of constituencies, about the franchise, about the desirable degree, if any, of proportional representation, and about the possible protection of special racial interests.

The majority report on the Legislative Council proposed that the nominated members should include a Speaker and 3 *ex officio* members, the 9 Chief Ministers (*Mentri Besar*) of the federal states, 2 representatives from Penang and Malacca, 20 representatives of "scheduled interests"—including commerce, rubber, mining and the Malayan trades union council—3 members from racial minorities,

and 2 government officials who would be the Secretaries for Defence and Economic Affairs. The report suggested a four-year span for this new Legislature, after which the position should be re-examined; it specifically recognised that the ultimate object was a fully elected Legislature. As to constituencies, it proposed direct elections by majority vote in territorial divisions and ignoring communal groupings. The Committee hoped—it could not do more—that elections might be held before the end of the present year. But, if they are, a great deal of preparatory work will have to be begun straightaway.

Agreement at Lagos

FROM A CORRESPONDENT IN NIGERIA

AT the opening of the constitutional conference at Lagos, Mr Lyttelton produced a cigar which was a parting gift from Sir Winston Churchill. He promised to light it only if things became difficult and intolerance was in the air. It remained unlit. Someone has suggested that the cigar should be presented to one of the Nigerian museums as a reminder of the tolerance and goodwill shown at the conference. But which museum should have it? For the time being all museums, except one, are to be under federal control. But the Oni of Ife fought strongly and successfully for the Ife museum to be regional, and if the other museums should go the same way, the custody of Mr Lyttelton's cigar might well become an occasion for regional rivalry.

This speculative symbolism is relevant only to the future. All the political leaders agree that the recent conference has been successful. One cause for concern was removed at the very beginning when Mr Awolowo announced that he did not intend to raise the Lagos question; indeed, nothing decided at last August's London conference was reopened. The main items on the agenda were Sir Louis Chick's report on the allocation of revenue between the central government and the regions; the future of the marketing boards; the Southern Cameroons; and the regionalisation of the judiciary and the civil service.

Distributing Revenue

The Chick Report is the third of similar reports on the allocation of revenue within the past few years. It recommends, among other things, that the federal and regional governments should charge each other for services rendered and thus put the relation between them on a more business-like basis. All import, excise and export duties should be collected by the federal government, and the net proceeds should then be allocated to the regional governments in various proportions. Income tax and licensing fees should be collected by the regions, whilst those from Lagos should go to the federal government. The report then recommends that discretionary grants from the federal reserves should be made to the regional governments; it suggests that, for a start, £3 million should be given to the Northern region, £2 million to the Western region and £2 million to the Eastern region. It also recommends an additional grant of £750,000 to the Eastern regional government.

At the conference the Northern delegates criticised the report because it did not carry far enough the principle of

derivation—that is, that revenues raised by a region should as far as possible be retained by that region. The government of the Eastern region felt that the principle of needs had not been sufficiently considered. The Action Group of the West with its usual thoroughness published a long and critical commentary. It opposed the amount of the East's grant from the federal government since it feels that it was the irresponsibility of the National Council of Nigeria and the Cameroons in refusing to pass the produce sales tax last year that has made the grant necessary. The East replied that the trouble lay in the peculiar circumstances of its government at that time; the party had lost confidence in its ministers who had refused to resign and had formed themselves into another party—the National Independence Party. Mr Awolowo was also opposed to the North having 50 per cent of the export duties on hides and skins while the rest goes to the centre; the conference made some concessions on this. The West also reserves the right to reopen the subject of mining royalties, which the Chick report recommended should be given to the region of origin. This means at present that the North will get most of them. The West

Nigeria's Main Parties

Action Group. Led by Mr. Awolowo and virtually confined to the Yoruba peoples of the Western region.

National Council of Nigeria and the Cameroons. Led by Dr. Azikiwe ("Zik"). Its main strength is among the Ibos of the Eastern region.

Northern People's Congress. Led by the Sardauna of Sokoto, it is the main party of the Moslem North.

feels that as the money for purchasing the United Africa Company's mining rights and rehabilitating the mines came from the Nigerian Government as a whole, some of the present royalties should go back to the centre. The conference, however, adopted the Chick report with minor recommendations.

One of the most controversial matters of recent years, the marketing boards, was amicably settled by the conference. It decided to regionalise the boards, which will be all-purpose ones, and to set up a central organisation to advise and inspect produce in order to maintain a high quality of exports. The marketing boards' reserves of £74 million were divided in the proportion of £34 million to the West, £24 million to the North and £15 million to the East, with £1 million to the southern Cameroons, whose separation from the Eastern region was endorsed by the conference.

The regionalisation of the judiciary and civil service which was also accepted by the conference aroused much public comment. The first was strongly opposed by the Nigerian Bar Association which felt that it might lead to the attraction of the best judges to the region where they would be paid most; it also feared that the judiciary might come under political influence. The Chief Justice of Nigeria himself opposed regionalisation in evidence before the conference, but to no avail. The position and rights of transfer of European civil servants have been safeguarded; this was welcomed by various political leaders who re-affirmed that it was both necessary and desirable to employ Europeans who were willing to work for the good of the country. The Nigerian public is doubtful about splitting up the civil service because of the general fear of inter-tribal domination and discrimination.

The federal principle now seems to have been accepted by all parties except the National Independence Party, the small opposition group in the East, and the Northern Elements Progressive Union in the North, which fears alleged intolerance and oppression by the emirate administrations. The NEPU would prefer the North to be broken up into smaller states, with a strong centre; this is echoed to some extent in the West by the people of ancient Benin, led by their Oba (king); it is also favoured by the leaders of the Rivers province in the eastern region. The belief of all these smaller groups is that no region or ethnic group should be too powerful. Their suggestions, however, did not influence the conference. Nor for that matter did that of the Action Group which wanted a region's power to secede from the federation to be written into the constitution.

Perón With the Brakes Off

GENERAL PERÓN announced in a speech delivered in mid-1953 that the time had arrived "to take the brake off a bit." He was referring primarily to the possibility of giving private business in Argentina a little more elbow-room and breathing space; but his words might be taken as a text in a wider sense. In the past six months, the Argentine government has given an exhibition of remarkable mobility. Indeed, General Perón has taken on some of the attributes of the star in an ice-show, swooping hither and thither, spinning like a top, leaping ebulliently clean off the ground—and never for a moment pausing. Treasured principles have been cast aside, old enemies and highly incompatible new friends wooed with equal fervour, and such diverse objectives pursued that even in the higher ranks of the Peronista movement itself there seems to be some uncertainty about which way the regime is heading.

The jumping-off point for this acrobatic bout was the highly favourable position in which the Argentine president found himself six months ago. On the home front, he had successfully diverted public attention from the economic hardships which, in April, had brought popular unrest near to boiling point. The diversion itself, a melodramatic campaign against supposed plotters, with mass arrests of opposition elements, served its own purposes; it struck a new blow at both the landowning aristocracy and the non-Peronista parties, some of whose leaders finally accepted the need to come to terms with the regime, and thus further split their already depleted ranks. Nature, meanwhile, by providing a bountiful harvest, not only eased the domestic situation but also gave Argentina a powerful diplomatic weapon in the form of grain surpluses. And the arrival in Buenos Aires of Dr Milton Eisenhower, the American President's brother and personal envoy, gave General Perón an opportunity of changing his attitude towards the United States without appearing to retreat.

The general had already dropped a number of hints that he was prepared to forgive the new American Administration for its predecessor's offences, and in July, when Dr Eisenhower had been feted, the Buenos Aires press burst into a chorus of adulation in the general direction of Washington. By the time that a Congressional mission arrived in November, one Argentine newspaper had got to the length of conferring an honorary degree in *Justicialismo*—

Perón's philosophy—on President Eisenhower; and when Senator Capehart told the Buenos Aires stock exchange that, given adequate guarantees, billions of dollars were only waiting to enter Argentina, enthusiasm knew no bounds. (The mention of guarantees was, however, omitted from press reports of the speech.)

Taking the Bull by the Horns

The attraction of American capital to Argentina, and particularly to its struggling oil industry, was indeed the obvious motive for this dramatic reversal of the old policy of hostility towards the United States. But "economic independence," usually interpreted to mean the expropriation of foreign interests, still remains one of the three Peronista slogans; and while General Perón was making reassuring speeches to visiting American oil men, he had at the same time to explain his *volte-face* to his followers. In a broadcast to the nation in December, he took this bull quietly but firmly by the horns and declared that he would "leave the door open for every well-meant contribution" to petroleum development by private interests. In fact, a draught has been blowing through this door for months, and the president's real problem is to drag reluctant benefactors in.

This wooing of US capital is an intriguing superscription on one side of a new economic coin, the other side of which is devoted to trade with the Soviet sphere. General Perón has seen nothing in the least inconsistent about pursuing both policies in parallel. His trade offensive in eastern Europe began with the famous interview that his ambassador in Moscow, Sr Bravo, had with Stalin last February. It has developed into a whole series of somewhat loosely worded agreements with the Soviet Union and its satellites, shipments under which began in October.

How much hard reality lurks beneath the impressive global figures in these well-publicised trade pacts is difficult to estimate. But what does seem likely is that General Perón has met his match, as regards skilful haggling, in Moscow. Originally, he proclaimed to his people and the world that the Russians were to grant Argentina substantial credits; but the first shipments made under the trade agreements did not consist of Soviet machinery, but of Argentine mutton, pork and butter bound for Leningrad. Meanwhile, the utmost cordiality prevails on the surface.

Drive to the Caribbean

Playing Moscow off against Washington has not, however, occupied more than a fraction of the time of General Perón's vigorous foreign minister, Dr Remorino. His greatest activity in the past twelve months has been the extension of the new South American "co-prosperity sphere." This is based on the Argentine-Chilean "pact of economic union" signed at Santiago last February. Since then, Paraguay (in August) and Ecuador (in December) have acceded to the union; and just before Christmas Dr Remorino and the president of Ecuador visited Colombia and made an intensive effort to persuade President Rojas Pinilla to bring his country in as a fifth member.

The agreements on which the new union is based are so vague that they can amount to almost anything, or almost nothing; but Argentina's intention of gradually achieving continental hegemony is obvious enough. However, the speed of Perón's drive to the Caribbean has caused enough

disquiet to bring Brazil and Peru together in a counter-balancing association; and in Chile itself, the pivot of the whole system, President Ibanez has had to defend his pro-Argentine policy against numerous critics.

At home as well as abroad, Argentine policy in 1953 was one of sloughing off old dogmas and experimenting with new initiatives. Businessmen have been promised more freedom; the second five-year plan has again been postponed; and in November General Perón successfully clipped the wings of his own creation, the monster General Workers' Confederation, by setting up a new confederation for white-collared employees. None of this can have been especially pleasing to the workers as a whole; but, with the cost of living temporarily held in line, they have listened patiently to the president's repeated lectures on the theme that only higher production can lead to higher pay.

The pattern of orthodox Peronismo has, in fact, faded, and bizarre new designs, none of them finished, have been superimposed. It is not surprising that some confusion, and even discord, reigns in the ranks; but it was somewhat startling when, in January, the *Alianza Libertadora Nacional*, the hothead wing of the Peronista movement, accused the Minister of the Interior, Sr Borlenghi, of Communism and warned him he would soon share Beria's fate. Even more disquieting to the faithful have been the recent rumours of General Perón's ill health, which have required a public denial. The sudden decision to elect a new vice-president is associated with both these rumours; the post had been vacant since Dr Quijano died in 1952, and the decision to fill it is seen by some as intended to keep power beyond the grasp of Sr Borlenghi, who is certainly too left-wing to please the Army, in the event of the president's death. But it is difficult to picture General Perón as a dying man after a year of such strangely dynamic activity.

Berlin in Brief

(The conference is now in its third week)

FEBRUARY 4th. The most notable event was Mr Molotov's rejection of the Eden plan for the reunification of Germany through free elections. He complained that it paid too much attention to parliamentary institutions and neglected the important question of the sort of results that all-German elections might produce. He proposed instead the immediate formation of an all-German provisional government to hold all-German elections. This government, which would represent Germany during the preparation of a peace treaty could, if it proved to be practicable, replace the existing German governments. It would draw up an election law to guarantee the "democratic" nature of the elections. Before the elections all occupation troops, except for a few limited contingents, would be withdrawn. M. Bidault accepted an amendment to the Eden plan proposed by Mr Dulles on February 3rd that a united Germany should be specifically free to reject as well as to accept, the international commitments of both German governments.

February 5th. The three western ministers tried to show Mr Molotov why his proposals for German unification were completely unacceptable, and to elicit from him detailed objections to the Eden plan. Mr Eden pointed out that, if the occupation forces were withdrawn, West Germany

would be at the mercy of the armed "people's police" in the Soviet zone. He summed up the West's objections to Mr Molotov's proposals as follows:

- (1) They implied that the occupying powers should abandon their responsibility to ensure that the Germans were free to choose their own future.
- (2) It would not, in fact, be possible to form a provisional all-German government through the joint action of the present fundamentally incompatible German governments; even if it were possible, such a government would not represent the free and responsible choice of the German people.
- (3) Mr Molotov would restrict the all-German government's freedom to choose its alliances for itself.

February 6th. Further fruitless efforts by the western ministers to find some basis of agreement with Mr Molotov on ways of unifying Germany. M. Bidault tried to meet Mr Molotov's objections to the West's proposals for supervisory commissions by suggesting that these commissions might consist of one representative each from east and west Germany and one neutral arbitrator. Mr Eden accepted this suggestion; neither Mr Dulles nor Mr Molotov made any comment on it. Mr Eden said that Britain would be prepared to extend the 20-year Anglo-Soviet Treaty of 1942; and that he would be glad to consider any other methods of reassuring the Soviet Union about its security. Mr Molotov ignored these proposals and brought forward the economic proposals contained in the Soviet Note of August 15, 1953, concerning Germany's reparations, post-war debts and occupation costs.

First Restricted Session

February 8th. The Ministers held their first "restricted session." They discussed questions under item 1 of their agenda (measures to reduce international tension and the convening of a five-power conference) and decided that the discussion of item 3 (Austria) should begin not later than Friday, February 12th.

February 9th. Another day of sterile debate on Germany. Mr Molotov asked if the western powers had anything to say about guaranteeing the security of Europe; but he made no reference to Mr Eden's offer to prolong the Anglo-Soviet treaty. Mr Eden suggested that it was time to recognise the fact that they could make no progress on the question of German unification.

February 10th. Mr Molotov proposed a 50-year European collective security pact with a neutralised and divided Germany. It is discussed in a Note on page 447 and also in *The Economist* of December 5th and 12th, 1953. Mr Molotov's proposals were strongly criticised by all three Western Ministers and specifically rejected by Mr Eden and Mr Dulles.

* * *

Correction

An article on page 402 of last week's issue of *The Economist* stated that a university at Lovanium, near Kisantu in the Belgian Congo, would open this month. The university is in fact to be at Kimuenza, about 20 miles from Leopoldville. Up to now Kisantu has been the home of the *Centre Universitaire Lovanium*.



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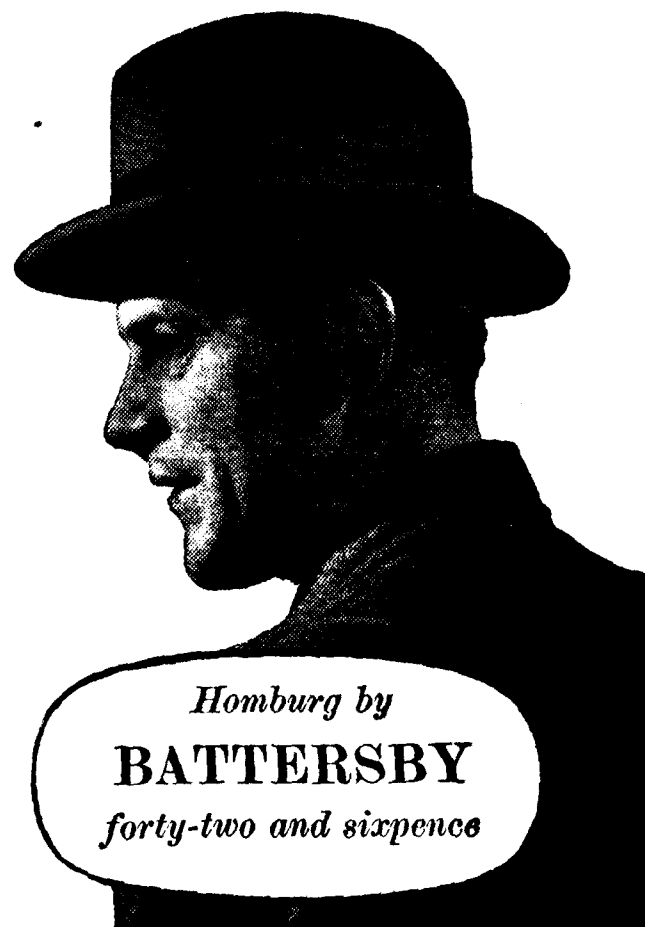
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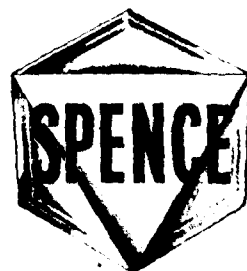
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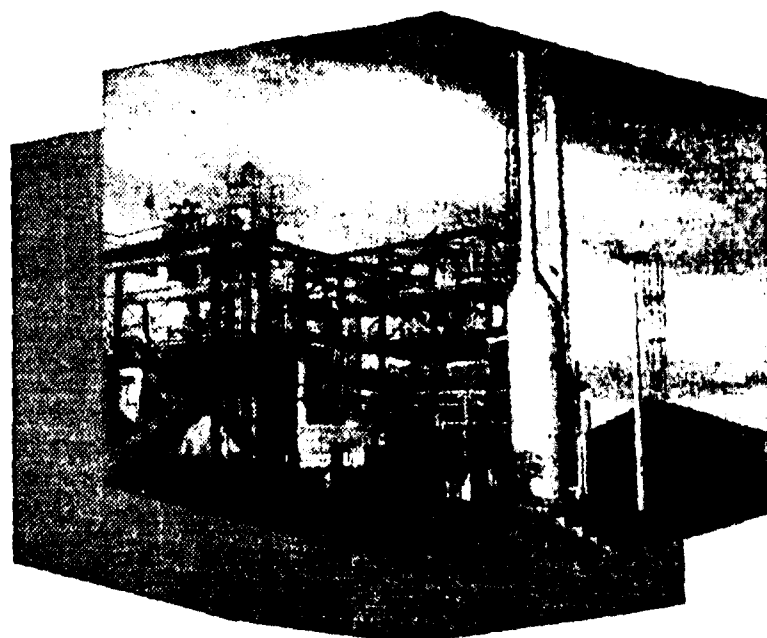
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THE BUSINESS WORLD

The Maze of Markets

IF everyone was so surprised at this week's boom on the Stock Exchange, who was feeding it? The behaviour of the markets since the beginning of the year has surprised even those who had expected firm prices and steady buying as good profits were announced and dividends increased. But this week ordinary share prices have nearly touched their highest point since the war—falling by that tiny and, as some would hold, significant fraction to break through the "highs." Without any of the stoking that Dr Dalton's shovelfuls of cheap money gave to the market in 1947, the *Financial Times* index of industrial ordinary shares is within a point of the peak of 140.6 set up in January of that year; there were 17,143 markings, also a peak since that time, on the Stock Exchange lists last Monday.

Perhaps the present Chancellor, whose account of the Commonwealth Conference last week radiated as much genial warmth as taut reasoning, is not disturbed by the market's behaviour. It has taken many of its clues from him. It shares his view of the American recession—a minor readjustment already on its way out. That is the biggest question mark removed—if, indeed, it is removed. It has noted the comfortable success of the authorities in their latest conversion operation—£340 million of National War Bonds, 1952-54, out of a total of £412 million converted into 3½ per cent Conversion Stock with fifteen years to run. "Success" in such operations is always a relative term, for who knows what the departments were already holding? But the important point is that the operation was pitched on terms that have levered the medium life stocks to a new datum. That may not have been the primary purpose of the authorities; but they have accepted with majestic calm the ensuing rise in long-dated and even undated gilt-edged stocks.

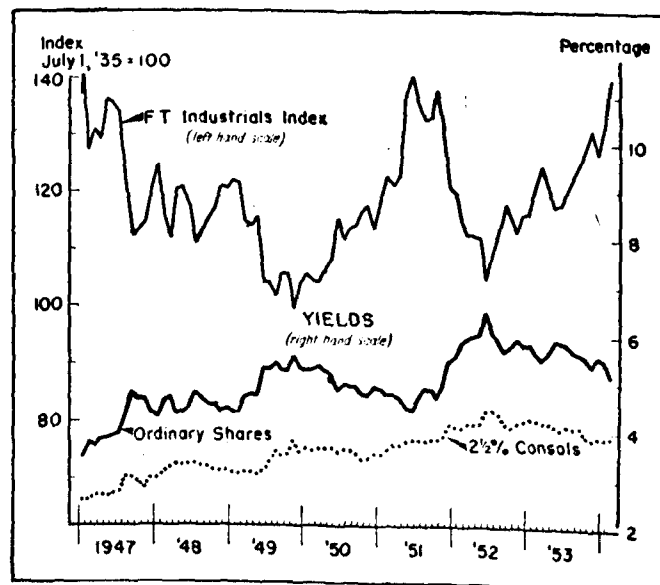
This, then, is a market with steam in it, and not merely wind. But there was perhaps more wind than sense in the expectation, duly disappointed on Thursday, that Bank rate would be further reduced from 3½ per cent to 3 per cent. What happened last September had almost the force of an atomic reaction; would it be politic to risk another explosion to add to the pressures that are already driving the security markets into the sky? The reduction in the Federal Reserve rediscount rate from 2 per cent to 1½ per cent proves that banking policy in the United States is being consistently directed towards the ending of the recession—whatever may be said about budget policy. There, for the moment at any rate, its relevance to British market conditions ceases. If by a slight, and legitimate, display of forcing tactics the British authorities have been so easily able to lift the level of gilt-edged prices, there is no need, given present market conditions and the present general level of business activity, to start using the power jack of Bank rate itself. And many market observers did not evince too much alarm at Mr Butler's comments last Tuesday on the purchase tax ("this is not the time when large concessions, or indeed concessions of any type are likely") or on the heavy supplementary estimates tabled a day later. They adhere staunchly to the view that if Mr Butler was disposed to budget as he did last year, he will not be less ready to give any further incentives that he thinks may be required when April comes.

So the average investor has firmly attached himself to the idea that the British economy is "steamed up" and will stay so for some time. The American boggy turns out to be less fearful than the portents were suggesting three months ago. A high level of activity—not least in the consumption trades—seems likely in this country for some months. Government policy will

be "easier" rather than "harder." The rigours of convertibility will not have to be faced—yet—because American policy is not ready to assist it on acceptable terms. This, then, is the background of investment calculations. And in the foreground is the continued flow of attractive profits and dividends, the continued demand of the pension funds for good equities which then permanently disappear from currency, and the continued challenge of balance sheets carrying assets far below their current values.

But the fact remains that the equity index has risen

INDUSTRIAL SHARE TRENDS



twenty points in twelve months, and the daily score of bargains marked has trebled. Do the favourable factors justify a further rise? Is there nothing to put into the other scale? The market is making some very bold assumptions. It is assuming, for instance, that a rise in British costs in a "7s. wages year" would have no effect on exports and the balance of payments. It assumes that the American readjustment has stopped rolling, and at this moment that may represent a very dangerous and uncritical swing towards undue

Enterprise in the Air

IN the past ten days, the Minister of Transport and Civil Aviation, Mr Lennox Boyd, has twice been involved in exchanges in the House of Commons over the Government's policy for air transport. Superficially they were little different from the usual run of parliamentary questions, for they dealt with such apparently uncontroversial subjects as air freighting and air charter operations. But, in fact, these are the two most inflammable subjects in British air transport affairs, and on Wednesday the temper of the Minister's questioners came near to spontaneous combustion. The impression is gaining ground, not least in the two

optimism. It assumes that the next move in the declared policy of a flexible Bank rate must be down; it could, to buttress a balance of payments crisis or an attempt at convertibility, with much better reason go up. It omits any consideration of the growth of competition in many branches of industry; the balance sheets that are now appearing cover a past period of unquestioned profitability, but a few cautionary statements from company chairmen about the level of current earnings might strike a very different note. And the appearance of a few big industrial issues (even with steel issues held in suspense for some months), together with a formidable list of dominion and colonial borrowers, could easily challenge present market levels.

The stock markets may indeed show further rises, in some sections at least, for some time. But the moment of boiling over is always a sensible time for the prudent investor to pause and reconsider his policy. All the latent factors—no devastating American recession (probably), continued "softness" in economic policy (until the balance of payments shows up the horrid realities) and the steady disappearance of the best ordinary shares into the lockers of the institutions and pension funds—point to a basic firmness in the market. But while there is no argument for the reckless throwing out of first-class equities, there is certainly a good case for systematic pruning of the lists. There may not be many more opportunities to get out of second-class equities on such favourable terms as the last fortnight has offered. Shares that are priced on the basis of grossly undervalued assets and on a dividend policy that has not been fully adjusted to contemporary facts may still be objects of esteem—and there are still examples to be found, in oil and shipping as well as in other groups. In the gilt-edged market, where the authorities have recently veered the rate structure towards longer dates, it would be only prudent to accept this as a lead—at least for a time. But on the longer view, the attractions of a date—and conceivably a shorter date than would now be appropriate—are still undimmed.

nationalised corporations, that the Government now has in mind not the "competition" between the nationalised air corporations and the independent operators that was implicit in its original statement of policy published in July, 1952, but something much nearer the permanent exclusion of the corporations from certain fields of operation so that they can become the exclusive preserve of the first independent operator who is able to gain a licence to develop them. In other words, the policy appears to be leading not towards genuine competition but towards the creation of a number of new private monopolies. The Minister's questioners,

who included two Labour parliamentary secretaries to the former Ministry of Civil Aviation, wanted to make the Government show its hand; and indeed, Mr Lennox Boyd admitted that a substantial degree of protection would be given to any company operating a new service, and that the Government was anxious to see the charter operations of the nationalised corporations bound within narrow limits. But to appreciate why these twin subjects of air freight and air charter are regarded by the industry as test cases involves some knowledge of the background of the Minister's replies.

The Government's civil aviation policy can be roughly summarised: to preserve intact the structure of the two nationalised corporations' passenger services, but to allow independent airlines to compete around their periphery. The independent operators are nominally free to develop any new passenger routes not operated by the corporations, to fly third class "colonial coach" services on the corporation's existing passenger routes, and to develop all-freight services. All passenger aircraft carry a good deal of freight to make up their pay load, but an all-freight service involves the use of aircraft with special freight-loading arrangements, so that the size of the consignment is limited only by the dimensions of the fuselage.

★

If the independent operators are to seize these new opportunities, they need to expand their organisations and increase their fleets. Heavy capital expenditure would be needed and the success of the Government's scheme to introduce competition into air transport—in addition to that already provided by foreign airlines—depends first on this investment being made. To make the prospect look more attractive to the independents, as well as to give them a breathing space in which to consider their plans when the new policy was announced, the Government asked for, and obtained, an assurance from the chairmen of the two nationalised corporations that neither would apply for any new all-freight services for twelve months, that is, from July, 1952, to July, 1953.

Shortly after this undertaking was given, the new terms of reference for the Air Transport Advisory Council was published. This is the body through which all applications for new services have to pass; its American counterpart, which enters the story later on, is the Civil Aeronautics Board. The ATAC was given instructions on the conditions that had to be satisfied before a second British carrier was allowed to fly on a route already served by a British airline. If the application was for a new passenger service, it had only to be shown that the proposal was "not likely materially to divert traffic" from existing services—not an unreasonable requirement. But the conditions on which a licence for a competitive freight service would be granted were more stringent. They require that "the position of any previously authorised operator is not likely to be undermined." The ATAC's interpretation of this clause

has not yet been tested, but the airlines themselves regarded it as granting an effective monopoly to the company first in the field in all but the most exceptional circumstances.

This put BOAC in an unenviable position. The corporation had intended to apply for a permission to operate an all-freight service across the North Atlantic, and was negotiating to buy special freighters to put on this and other routes, but the undertaking given to the Minister meant that the application could not now be put in until July, 1953, at the earliest. The ATAC's terms of reference seemed plainly to suggest that should one of the independents apply to run a freight service on the same route before BOAC's undertaking expired, the corporation's chances of getting a licence were slim. This view was supported by what actually happened. Two substantial independent companies, Airwork Ltd. and Hunting Air Transport (now Hunting-Clan) both applied for a licence to run all-freight services to America. Airwork succeeded and Hunting was turned down.

The next step for Airwork has been to apply to the Civil Aeronautics Board for permission to operate an all-freight service into the United States. Under normal conditions, this would have been little more than a formality, for it was backed by an operating licence approved by the British Government. But the CAB was having its own difficulties. One of the major American freight operators, Seaboard and Western, had been trying for seven years to get permission to fly a scheduled—as distinct from charter—freight service on the North Atlantic route, and opposition from the American scheduled operators has persistently blocked its claim. Many Americans look on Airwork as a "non-sked" too, although the company has enjoyed scheduled respectability for some time. The CAB has now recommended Airwork's application for approval, but has added a rider that it may be difficult to justify granting to a British carrier a licence that has been persistently withheld from an American one. The decision now rests with the American government and on its outcome depends the putting into operation of Airwork's freighting plans.

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BOAC's last annual report, for 1952-53, stated that "the corporation intends to apply to the Air Transport Advisory Council for permission to operate all-freight services on certain routes as and when necessary." Mr Lennox Boyd, however, told his questioners this week that no such application had been received. The reasons why BOAC have not applied (since last July) for permission to compete with Airwork are obscure. It may have revised its estimates of the potential freight traffic available and concluded that the prospects are not good enough to support a second British service. But appearances suggest that Airwork would have little difficulty in successfully opposing any application by the corporation to the ATAC, and the corporation may have

January Trade Unchanged

BRITISH overseas trade in January showed little change from the previous month, but it compared unfavourably with the average for the fourth quarter of 1953. Exports last month, which had 26 working days, one more than December, are provisionally valued at £225.8 million f.o.b., £1.2 million higher than in the previous month but £4.8 million below the fourth quarter average. Re-exports rose by £500,000 to £8.1 million, and were £600,000 below the fourth quarter average. On a working day basis, total exports were disappointingly low at £9.0 million, compared with just over £9.2 million a day in December, when shipments were affected by the extended Christmas

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar month)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Excess of imports over total exports
1953—				
1st half	282.0	209.3	9.0	63.8
3rd quarter . .	274.8	211.6	8.5	54.8
4th "	276.1	230.6	8.7	36.8
1954—				
January* . . .	282.5	225.8	8.1	48.6

EXPORTS TO NORTH AMERICA
(£ million—monthly averages or calendar month)

	USA	Canada	Total North America
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—			
January* . . .	12.0	10.5	22.5

* Provisional.

holidays. Imports rose by £900,000 to £282.5 million c.i.f., but were £6.4 million above the fourth quarter average. The gross visible trade deficit in January was just £800,000 lower at £48.6 million, but it was £11.8 million larger than the average for the fourth quarter. The decline in exports to North America continued in January, when they totalled £22.5 million, £1.7 million less than in December. Shipments to the United States dropped by £1.5 million to £12.0 million. Shipments to Canada fell by £200,000 to the low level of £10.5 million, partly for seasonal reasons.

CDFC Steps In

THE first investment by the Commonwealth Development Finance Corporation is a blend of all the right ingredients. The recipe was written out in the communiqué of the 1952 Commonwealth Economic Conference which

set up CDFC, under strong city auspices, to finance approved schemes of development in the Commonwealth. Now twelve months later it has been put into practice. The investment, amounting to about £1 million in rupees, is to be made in the equity of the Sui Gas Transmission Company, Limited, now being incorporated in Pakistan. This company will transmit natural gas through a pipeline from a large field in south-east Baluchistan to Karachi, some 350 miles away. The natural gas will be available for use over a wide area of western Pakistan for industrial and agricultural development. In this way, and by reducing Pakistan's dependence on other countries for fuel supplies, this project lives up to the criterion established by the economic conference that CDFC should invest in those schemes that increased the resources or strengthened the balance of payments of the sterling area.

CDFC was also enjoined to listen most sympathetically to those applicants who had tried to raise as much money as they could locally or through the market for international loan capital. This condition, too, has been fulfilled. The scheme has been sponsored by the Pakistan Industrial Development Corporation in co-operation with Burmah Oil and with the approval of the Pakistan government. The International Bank for Reconstruction and Development has been asked by the Sui Gas Company for a loan of about £5 million and the rest of its equity capital, amounting to about £3 million, will be provided by Burmah Oil, the Pakistan Industrial Development Corporation and by private investors in Pakistan. The third enjoiner on CDFC that the projects should offer a reasonable chance of being commercially remunerative and should be expertly managed has been followed, in so far as it can at this early stage of development, by a long term agreement with Burmah Oil that one of its wholly-owned subsidiaries will be responsible for the management of the gas company. The mixture in this instance and in those to follow is clearly of local and international finance and of local and international expertise.

The Corporation has further investments in the offing. They will probably show that the present equity investment is not an invariable prototype. At this stage CDFC will probably favour loan stocks. When it accepts a project it will certainly require the developing company itself to put up a share of the finance and will hope to attract capital from a still wider field. The cachet of CDFC's approval by attracting new money into the Commonwealth from outside sources could be at least as important as its own investment.

Persian Oil Complications

THE "green light" that the American oil companies have been given to join in the exercise of making Iranian oil flow again is of a pale shade. The Attorney-General last week showed in his statement that the clearance did not constitute an immunity from anti-trust proceedings. A state Department spokesman declared that the five American companies can participate in the "production and movement" of Iranian oil, but that the clearance did not cover "marketing" and did not allow the companies to collaborate in any consequential adjustments of production in areas outside Iran.

Steel Figures from the Board

STEEL output in January—the weekly rate was 360,300 ingot tons, a record for the month—was announced this week by the Iron and Steel Board, not the British Iron and Steel Federation, though it is the federation's statistical department that continues to collect the figures. The change may seem trifling; but it may also symbolise the way in which the board is superimposing itself upon the existing superstructure of the British steel industry.

Recent annual reports from the steel companies—for example, Colvilles' this week—have referred to development projects upon which the decision of the Steel Board is awaited; its organisation for this particular function of supervision is now complete and operating. It has set up a development committee and co-opted a technical committee from the industry, to which projects are submitted direct from the companies, without preliminary technical vetting by the federation. It has itself taken over the collection of statistics for ironfoundries (these are quarterly, and it has not published any). In the fields of raw materials and of forward production budgeting for the industry as a whole, it is now represented upon the committees of the federation and of the central buying agencies; and it has established a right to be consulted before any changes are made in the industry levy operated by the federation. It is already, of course, the authority for setting maximum prices (which it has published) for iron and steel (though not for scrap); the collection of costs for the industry's pricing arrangements will now be operated on behalf of the board; and perhaps the main preoccupation of its members is an elaborate and detailed review of the industry's whole price structure.

As the Minister of Supply mentioned last week, the board is at present re-examining the question of steel plate supplies. The adequacy of the present and projected capacity to meet demand after the present "hump" has been argued by the British Iron and Steel Federation and examined departmentally within the last year. But shipbuilders and other consumers of British steel plate still complain of shortage, though they show little anxiety to import plates at the world price, as they are free to do.

Profits from Steel

FIVE companies of the "Big Seven" of the steel industry are still waiting to offer their shares to the public. In advance of this test, two of these companies, Colvilles and John Summers, have published reports on their trading years to October 3rd. These reports illustrate two aspects of the steel industry's development programme. The various items of development carried out by Colvilles have already cost the group about £10½ million and will cost it at least another £2½ million more, but none of the developments have been big enough to disturb the activities and profits of the group as a whole. John Summers, on the other hand, has carried through a major programme of development and integration at Shotton and the teething troubles it has experienced have been sufficiently irksome to affect profits.

Houses by Easy Payments

OVER one form of hire purchase the Treasury does not exercise a strict anti-inflationary control, the purchase of houses on mortgage with the help of the building societies, and the local authorities. This week and last something has come to light about the plans now being discussed between the Government, the local authorities and the building societies for making the terms of house purchase still easier. These plans were mentioned by the chairman of the Temperance Permanent Society, Mr Cyril Black, at last week's celebrations. It is proposed to reduce the percentage of the purchase price of an owner-occupied house which the purchaser has to find himself initially. The present level is normally about 20 per cent. It will be reduced to 10 per cent by co-operation between the Government, the local authorities and the building societies. The idea is to extend the machinery of the Housing Act of 1933, under which when a building society is prepared to lend part of the value the local authority may bring the advance up to 90 per cent.

Terms have not yet been settled and the building societies still have a good deal to say. First they will point out that if the purchaser likes to buttress his mortgage security with an insurance policy he can already borrow 90 per cent of the valuation (which is incidentally not always the same thing as the purchase price). Secondly they will have something to say about the proportions in which any loss resulting from the procedure is to be borne. Under the 1933 Act when a building society guarantees part of the advance it suffers one third of the loss, the Treasury and the local authority also shouldering one third each. In the new discussions the building societies seem entitled to say to their partners: "We were prepared to advance 80 per cent as a normal trade risk, it is entirely to oblige you that we have become involved in a more generous advance than we should normally have made. Our proportion of any loss ought to take account of that." But the loss ratio sustained by building societies is normally low.

Agreement is however to be expected. For the Government and the local authorities the advantage is clear. A house sold is a house unsubsidised. But a house let by the local authority, involves the Government and the local authority in a subsidy burden lasting for more than a generation.

Profits earned by the John Summers group have fallen from £3,572,782 to £2,767,727. The directors explain that this decline is "due to the expenditure involved in bringing into production new plant at the Hawarden Bridge steelworks." New equipment means much heavier depreciation charges. The increase in the group's depreciation provision from £644,542 to £1,293,732, though it is accompanied by a fall in the tax provision, has been so large as to bring the group's net profits tumbling down from £1,409,399 to £485,937. Even without the extra costs of running-in, John Summers might well have had to report

Years ended	Colvilles		John Summers	
	Sept. 27, 1952	Oct. 3, 1953	Sept. 27, 1952	Oct. 3, 1953
	£'000's			
Trading profit	5,404	5,812	3,573	2,768
Depreciation	743	878	645	1,294
Taxation	2,597	3,053	1,319	710
Net profit	2,072	2,253	1,409	486
Ordinary dividends	268	276	289	298
Retained profits	1,747	1,918	1,049	114
Fixed assets, less deprec'n.	11,498	12,866	...	...
Stocks	7,088	9,669	...	...
Liquid assets	1,739	1,847	...	...

smaller profits. Earnings in 1951-52 were inflated by windfall gains on stocks while profits in 1952-53 may have been affected by the fall in the demand for sheet steel last spring and by the decline in the premium on its export price.

With the demand for heavy steels from the shipbuilders and other industries running at a high level it is not surprising that Colvilles has reported full capacity working and a rise in trading profits. Alloy steels, however, were not in such great demand, and, while the group has sold high tensile steels for welded construction to shipbuilding yards overseas, these steels have not been so popular at home. With full capacity working and a full order book the directors have no need to be anxious about the rise in stocks (from £7 million to £9½ million) which followed on the improvement in the supply of iron ore, pig iron and scrap.

Woolworth's Sales and Stocks

WITH a greater variety of goods to sell, Woolworth's chain stores cashed in handsomely on last year's rise in personal spending. Trading profits jumped by about 15½ per cent to £19½ million. The sudden spurt in spending on confectionery and on hardware must account for a good part of this increase. The Woolworth stores operate on small profit margins and the advance in profits is a direct correlation of yet another increase in sales. In commenting on the policy of "small profits, quick returns" the chairman, Mr S. V. Swash, tells shareholders that if the price of all the goods sold had been reduced by a halfpenny all profits would have been wiped out and the company would have been left "nursing a loss." About 65 per cent of

these profits has been absorbed by taxes and about a sixth of this provision represents EPL. It is the demise of this tax that helps to explain why the 5s. ordinary stock units yield only £4 7s. at the current price of 69s. on the current dividend of 60 per cent, which is 5 per cent higher than that paid in 1952.

Woolworth's success depends largely on a strict control of stocks. Last year its stocks rose by less than £125,000 to

ASSETS AND LIABILITIES

Years to December 31	1952	1953
Fixed assets, less depreciation	12,367,819	14,144,662
Investments	4,050,243	4,125,688
Net current assets	23,232,676	24,129,631
Stocks	11,087,015	11,210,250
Tax reserve certificates	11,130,000	12,200,000
Cash	18,407,760	20,988,818
Revenue reserves	9,807,157	11,573,471
Future tax reserves	7,600,000	8,430,000
Ordinary capital	15,000,000	15,000,000

£11.2 million. Mr Swash explains that the company likes to keep stocks "rather on the light side" at the end of the year provided that there is no indication that prices will go up. After the Christmas rush stocks have to be built up again and "if there were not a little slack in the stock figure inventoried, the investment after this re-stocking would be too high," with the risk of losses before they are liquidated. Evidently Woolworth's directors do not expect prices to rise much this year, so that another increase in profits must depend on a further expansion in sales.

Reshaping EPU

THE European Payments Union is becoming a lively topic of discussion in both unofficial and official circles. The latest changes in its mechanism relate to the position of Belgium and Austria. The Council of OEEC has recently considered, as a matter of urgency, the persistent creditor position of these two countries, and has decided on a temporary addition to the quotas for each of them. The Belgian additional quota is increased from \$75 million to \$125 million, which is superimposed on a basic quota of \$331 million. Austria's basic quota of \$70 million was supplemented last year by \$25 million and is now to be increased by a further \$6 million. It has been decided that in each of these cases additional surpluses accumulated with EPU will be settled as to one half in credits and one half in gold.

Wider issues concerning the future shape of EPU have also been raised officially—in the preliminary negotiations for the extension of EPU beyond June 30th next. These discussions, which have already begun, are partly concerned with the problem of merging EPU into a wider multilateral payments system in the event of one or more of its major currencies becoming convertible. In preparation for such a shift to a wider system, some of the EPU member countries are urging that the Union should be "hardened," partly by requiring that surpluses with the Union in excess of 150 per cent of quotas should be settled, not, as now, in equal proportion of gold and credit, but as to 70 per cent in gold and 30 per cent in credit. The

Nature's brute force is a blind and wasteful thing.

But Man can tame and direct it. Man harnesses the strength of animals, yokes the winds of heaven, places the soil itself in careful bondage.

The life-giving sun winters in other skies, but we do not go hungry.

Man the thinker has become Man the farmer.

why are we by all creatures waited on...

We do not know in what century, or even millennium,

man first tilled the soil: nor do we know how soon afterwards

he learnt to make his soil more fertile by feeding it.

These things happened before History was first written.

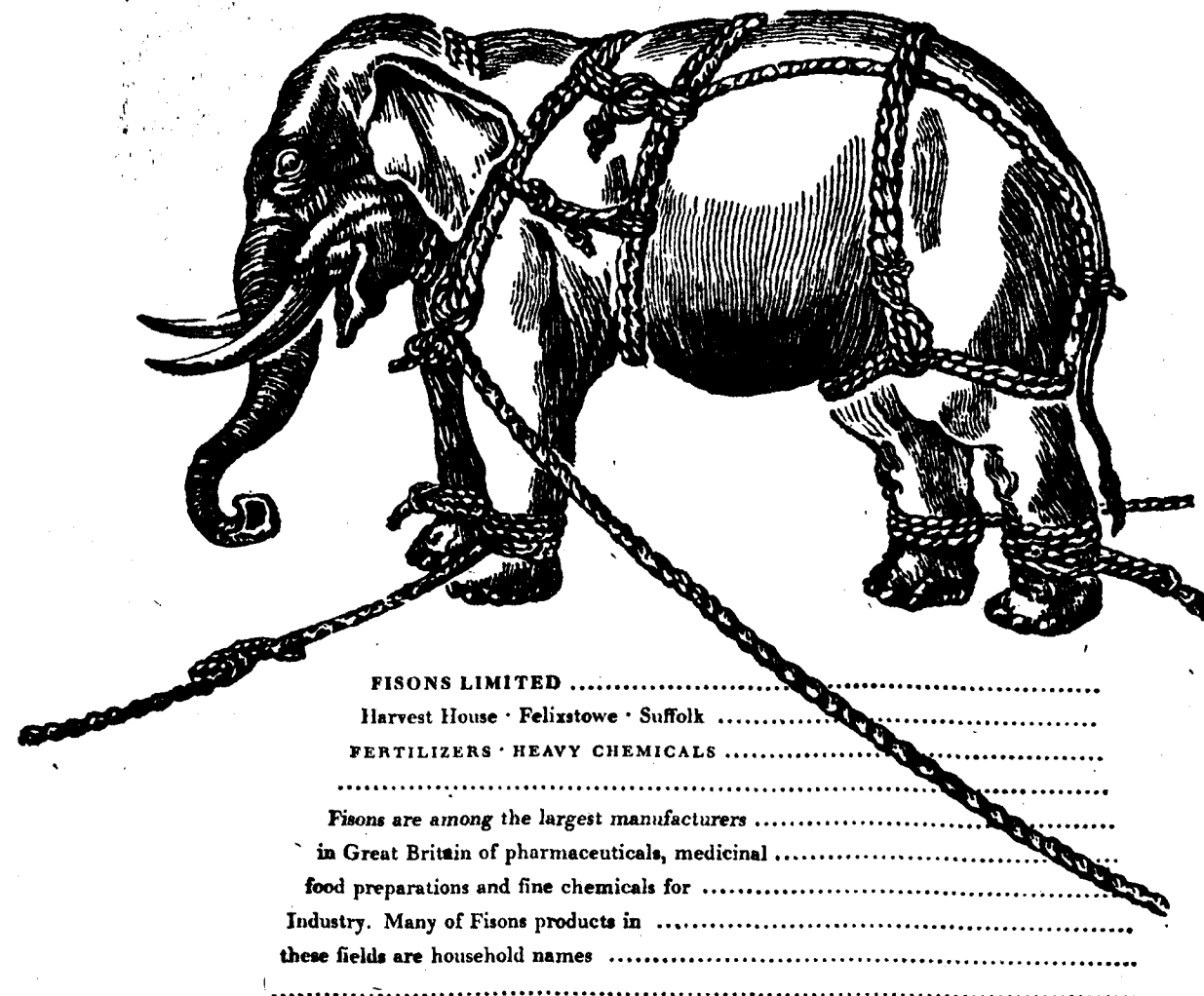
But the science and application of fertilizers

is not much more than one hundred years old.

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with roots also in the field of chemicals for medicine and industry,

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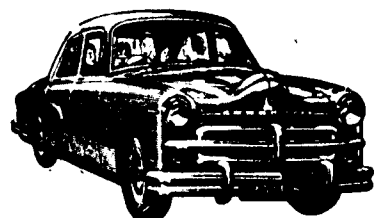


Hey! sonny,
wake up ...
this is Loch Lomond

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AND AT DUMFRIES, DUNDEE, INVERNESS, KIRKCALDY, MUSSELBURGH, PERTH.

other demand is that overdrafts with EPU, if of more than eighteen months' duration, shall be redeemed within three years. These demands, as might be guessed, are being pressed by representatives of Western Germany, Belgium and the Netherlands. They are being resisted by the British spokesmen; their attitude in this respect is traditional, but it may also be conditioned by the Chancellor of the Exchequer's recent prophecy in the House of Commons that Britain is likely to increase its debt with EPU in 1954, and may possibly move into a higher gold *tranche*.

The Britannia Fire

THE engine fire that brought the Britannia airliner down in the mud last week was not an accident in the sense that it was wholly unavoidable. By landing in the mud, the pilot was able to avoid damaging the aircraft to an extent that might have destroyed some of the evidence on which the engineers are now working. The outbreak was caused by the failure of certain components under unexpected loads; the precise cause of the fire has not yet been determined, but from an engineering point of view this is not likely to require any drastic re-designing of the engines themselves. This means that the Bristol Aeroplane Company can feel reasonably confident that the airliner will be ready to go into service only a few months behind the original schedule.

The financial consequences, however, are more serious. The two prototype Britannias belong to the Ministry of Supply, and the Ministry pays for all their development and flying costs. The flying hours necessary to qualify the design for a Certificate of Airworthiness were being built up on the second of these aircraft, which must now be considered as a total loss. The next Britannia due to fly is the first of the 26 production aircraft being built for British Overseas Airways Corporation, and it is on this machine—operated presumably at BOAC expense—that the C of A trials will now have to be carried out. At several hundreds of pounds an hour, this is an expense that BOAC may attempt to pass on to the Ministry. The corporation has repeatedly complained at the burden incurred by route development with new aircraft, and it faces a heavy bill for the modifications that are being made to its Comet fleet in the absence of any conclusive evidence about the cause of the Elba accident last month.

Fisons Offer for Pest Control

THE proposed acquisition of Pest Control by Fisons is one sign of the difficulties facing the farm chemical industry. There is an expanding market for the newer insecticides and weedkillers, in which Pest Control specialises, so much so that the Ministry of Agriculture's working party* has just published a report on the effect of their residues on food. Higher farm labour costs encourage the use of these scientific short cuts to good husbandry, and the sale of the newer insecticides can no doubt be advanced.

* Toxic Chemicals in Agriculture. HMSO. 1s. 6d.

tageously linked to the sale of fertilisers. But these organic farm chemicals call for large capital resources; development costs are considerable in the laboratory and also in pilot trials spread over several seasons. Another side of Pest Control's business—contract spraying—also involves heavy investment and gives slow returns. From Fison's point of view, the acquisition opens the back door to a field at present dominated by the Imperial Chemical Industries—Cooper McDougall, Robertson subsidiary, Plant Protection.

Both companies may be reasonably satisfied with the terms of the merger. Ordinary shareholders of Pest Control receive one £1 ordinary share of Fisons, plus 2s. 6d. cash—say 47s. or a shade over 7s. 10d. per Pest Control share. As Pest Control 5s. Ordinary shares were standing at 7s. 7½d. at the announcement (compared with a low point of 3s. 4d. last year), holders should be well satisfied. This is a company of bright and enterprising ideas which had run ahead of its commercial range and its cash resources. The last Ordinary dividend was 10 per cent for the 1949-50 period and the chairman has already warned ordinary shareholders not to expect a dividend for the year ended September last. Shareholders will therefore be exchanging from a security which pays no dividend into one which does pay.

Fertilisers on the Farm

THE fertiliser manufacturers are launching a concerted campaign to persuade farmers to buy their fertilisers some time before they are needed, but it is doubtful whether the campaign will meet with much success. The bulk of fertilisers go on the land in early spring, and about 3 million out of the 4 million tons used each year are ordered between mid-February and mid-April. With the rise in consumption, these seasonal peaks are becoming more than the factories can handle.

When the industry was working below capacity, idle plant could be brought into commission during peak demand. Today, with every piece of plant fully employed, this safety margin no longer exists. But not even quite substantial financial inducements seem sufficient to overcome the farmers' prejudice against early ordering. This winter, the industry has been offering an early delivery rebate of 25s. a ton in November, 20s. in December and 10s. in January, but manufacturers do not believe the response has been anything like big enough to flatten the top of the March peak.

Prejudices apart, the two reasons why farmers have not co-operated to a greater extent are a lack of storage capacity, and a fear that the fertiliser will deteriorate and become too rocky for the drills—which it may if it is not properly stored. The manufacturers, therefore, will probably still have to budget for this peak in demand. The least expensive way to do so may be to retain some of their oldest equipment on a "care and maintenance" basis during the rest of the year. Few are ready to invest substantial sums in new plant while the fertiliser subsidy to farmers continues to maintain demand at what seems to them an artificially high level. When the subsidy was removed in 1951, average monthly consumption of compound fertilisers dropped sharply (from 171,500 tons in 1950 to 103,900 in 1952). The subsidy was replaced in the middle of 1952 (after

Consommé Super Jet

Basic chemical ingredients are as vital to the world's refineries as stock and seasoning are to the cook in the preparation of consommé. One of these basic chemicals is liquid sulphur dioxide, essential for the refining of modern jet fuels. The large independent company of Brotherton, established in 1878, is now one of the world's chief manufacturers of this basic chemical.

A BIG NAME IN THE CHEMICAL WORLD

Brotherton

One of the world's largest manufacturers of hydrosulphites, liquid sulphur dioxide and hexamine. Makers of an extensive range of Metachrome dyes for dyeing wool in all its forms.

Brotherton & Co. Ltd., City Chambers, Leeds, 1.
Also at Manchester, Glasgow, and London.
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the buying season) and consumption rocketed up again to an average of 148,300 tons in 1953. Many companies in the industry would have preferred to let demand settle at its true, unsubsidised level, rather than to see it artificially stimulated into recovery by the return of subsidies.

Coke off the Ration

ON the second day of the recent cold spell, roughly half the domestic fuel consumers in the country ordered coal or coke from their local merchants. This week's decision by the Minister of Fuel and Power to end the rationing of coke, therefore, has followed complaints from some householders of coke shortages in various parts of the country—which seem to have arisen because the merchants naturally had not enough lorries and drivers to meet this rush of orders on instant demand. Freedom to buy cannot alleviate a sudden and absolute overloading of the distribution system such as this, but it gives the customer a chance to find a supplier who will deliver in time and the merchant an incentive to get extra business. How far customers may be tempted to use coke to eke out coal, which is still rationed, remains to be seen; they can already use gas and electricity freely. Domestic consumption of coke seems to have grown somewhat last year; the figures of consumption for 1949, 1950, and 1951 are considerably larger than for 1952 and 1953, but are not directly comparable.

Stocks of coke at the gasworks were ample at the beginning of the cold spell, at about 1½ million tons. It is this gas coke that is mainly affected by the Minister's decision, which concerns domestic consumers alone. The "pro-

COKE PRODUCTION AND DISTRIBUTION, 1952 AND 1953*
(million tons)

	1952	1953*		1952	1953*
Production:			Consumption:		
Gas works.....	12.58	12.27	Gas works.....	1.77	1.65
Coke ovens.....	17.09	17.42	Blast furnaces.....	11.33	11.83
Total.....	29.67	29.69	Railways.....	0.15	0.16
			Other industry.....	5.35	5.12
Changes in producers' stocks.....	+0.81	+0.61	Domestic.....	2.62	3.00
Imports.....	0.02	0.01	Miscellaneous.....	5.64	6.39
			Total, Britain.....	27.86	28.15
			Exports.....	0.94	0.92
			Changes in distributed stocks.....	+0.08	+0.02
Total Supplies.....	29.50	29.71	Total Disposals.....	28.88	29.09

* Provisional 52-week figures.

gramming" of coke supplies for industry appears formally to be continuing, though for some time this has hardly been acting as a restriction upon the amounts of coke that industrialists want to buy. The largest industrial consumers are the blast furnace operators, who last year took nearly 12 million tons, all but a fraction of it metallurgical "hard coke" from the coke ovens; the remainder of the iron and steel processes, plus engineering, take roughly another 2½ million tons annually. Almost all the growth in total coke production in recent years has come from the coke ovens; much new capacity has been brought in to feed the demand for extra pig iron from the blast furnaces.

Guessing Soviet Gold Output

THE recent heavy shipments of Russian gold to London have given new zest to the intriguing pastime of guessing the volume of the Soviet gold output. Estimates of this output have always varied so widely that they do indeed seem little better than guesses. Before the war some official Soviet figures were published showing how the gold industry had conformed with the plans set for it; but these figures were invariably shown in the tantalising form of percentage variations from a base year for which no absolute data were available—and there were also indications that the base year was changed from time to time. The official figures had therefore to be discarded in favour of unofficial ones. The Union Corporation, which makes annual estimates of world gold production, has for some years past put Russian production at two million ounces, whereas the Bank for International Settlements not long ago put forward an estimate of twice that amount. In Washington, however, the International Monetary Fund has played for safety; it has all along refused to commit itself to any estimate of Russian gold production and, in its gold statistics, it goes out of its way to exclude the USSR, China, Bulgaria, Czechoslovakia, Hungary and Rumania.

But now comes the United States Bureau of Mines, which suffers from no such inhibitions. In its recent estimates of gold production it has put the Russian output at 7 million ounces in each of the years 1948 and 1949, 8 million ounces in 1950 and no less than 9,500,000 ounces in each of the years 1951 and 1952. On the basis of these figures the USSR would rank as the second largest gold producer in the world; the sharp increase in output that they postulate is presumably regarded as attributable to the working of alluvial deposits in Eastern Siberia. The publication of these impressive figures is perhaps a happy chance for the Soviet authorities who recently have been so busily converting their gold into foreign currencies—and thus into imports of capital and consumer goods. They may feel that these gold figures lend slightly greater verisimilitude to the massive volume of orders that have been dangled before the eyes of the British business men now visiting Moscow.

Rayon Resurgent

OF all textiles, rayon—or rather synthetic fibres as a whole—made the most spectacular recovery from the 1952 slump. Output last year reached 419.3 million pounds, which is very nearly 50 per cent greater than the 283.0 million pounds produced in 1952. What is more, production soared above its 1951 level, exceeding it by a margin of 9 per cent. It may not be wholly accurate to attribute all this improvement to a net rise in rayon production above 1951 levels, which represented something approaching capacity rates of output. The figures include all synthetic fibre production, nylon, "terylene" and "ardil," and while some of this is still on a pilot scale, it does nevertheless contribute to swell the total figures.

THE CASE OF THE Sunday Dispatch



Every Sunday, nearly 3,000,000 copies of this famous newspaper are sold. The day following, accounts and order forms to hundreds of agents must go out...

Day of reckoning: Monday!

A BEHIND-THE-SCENES STORY on the workings of a great national newspaper comes from Associated Newspapers Limited. Their problem was to streamline the office system by which they control the sales operation for the ever-popular "Sunday Dispatch." Statements to all the agents were being handwritten. It threw a heavy load on office staff.

Associated Newspapers Ltd. wanted a system that could guarantee that all figuring on sales accounts was finalized, and weekly accounts sent out, on the Monday following the paper's publication date.

After consultation with Burroughs, they installed Sensimatic Accounting Machines to handle the postings. These are used in conjunction with an ingenious method of invoicing, by which the agent receives, on one single form, a statement, a receipt for his payment, and an order slip for next week's copies.

Result: So fast do these Burroughs machines serve the office that it is now normal practice to get "Sunday Dispatch" weekly statements prepared

and dispatched on Mondays. Cash collection is swift and efficient and next week's orders come back in time for action by the circulation department.

One more result has been that Associated Newspapers Ltd. are now using Burroughs Sensimatics on sales



210 postings in 45 minutes—that's a normal rate of work achieved by Mrs. J. Dickens, seen preparing statements for newagents in the offices of Associated Newspapers Ltd. Watching her use one of the Burroughs Sensimatic Accounting Machines is Mr. Paul Stark, the Burroughs man who helped solve "The Case of the Sunday Dispatch."

accounts for their latest paper, the "Daily Sketch."

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The experience of the wholesale trade in textiles during the same period suggests that there are limits to the volume of textiles that the home market will absorb. Total sales of wholesale textiles were nearly 6 per cent higher in value during 1953 than they were the year before. But towards the end of the year, two disturbing features began to emerge: sales turned downward, and the value of stocks rose. Only in December did the level of sales fall below those recorded for the same months of 1952, but what the trade describes as the "stagnation" of business in the late autumn and early winter made an unwelcome contrast to the buoyancy of sales during the summer and early autumn. Taking the year as a whole, wholesalers had 10 per cent less capital tied up in stocks than in 1952, but from August onwards the value of their stocks in any one month began to exceed their equivalent 1952 values. This does not promise well for the New Year's trade.

Unconvincing Narrative

Two facts only emerge from the circular which the Savoy Hotel directors issued to the shareholders on Tuesday—that the directors are thinking in terms of a bonus for 1953 in addition to the ordinary dividend and that plans for the future of the company, probably including something to the benefit of ordinary and preference stockholders, will be submitted at the annual meeting in April. Neither the amount of the bonus nor the nature of the advantageous plans is specified. Something more than this will be needed to bring the shares back to 62s. 6d. which the still unknown friends and associates of the directors paid to wrest control from Mr Samuel last December. The circular hoisted the stock only 2s. 6d. to 51s.

But it seems hardly necessary that Mr Wontner and his fellow directors should have taken the shareholders for another 700 word tour of historical retrospect. The circular sums up the battle for the Savoy thus: "Neither the directors, nor the staff, nor, it seemed, a great number of the company's patrons, were in favour of a change in control." The patrons? Has the Savoy become a consumers' co-operative? Is it no longer necessary to mention even the existence of shareholders?

If the Savoy board are devising something which may be of benefit to the shareholders, they must have turned over in their minds Mr Samuel's idea of turning the valuable Berkeley Hotel site to better financial advantage. It would be horrid to have to say: "Perhaps Mr Samuel was right after all." But it might be said after an interval. It certainly would not be said unless and until the Savoy had acquired an alternative site for a new Berkeley Hotel.

Edible Oils Ease

AFTER rising steadily for six months, prices of edible oils have eased by several pounds a ton. The threat that has always overhung the market—that the Commodity Credit Corporation might become an aggressive seller—has

become a reality. The Corporation has about 400,000 tons of cottonseed oil accumulated under the American price support programme. Restrictions on sales to foreign countries have been removed, and the CCC is offering this oil at the attractive price of £106 a ton, c.i.f. Continent. Prices of copra and coconut oil are also under pressure because of the recovery of production in the Philippines, and also from the larger quantities of palm kernels now being offered to the Continent by the marketing boards in British West Africa. Coconut oil for nearby shipment is about £5 cheaper at £130 a ton, c.i.f. Continent, and copra is about £6 cheaper at £88 a ton. Groundnut oil, which is in short supply, has nevertheless fallen by £5 and is rather nominally quoted at about £160 a ton; palm kernels are about £8 lower at £65 a ton, c.i.f.

Whether the market will suffer any radical decline is an open question. On the one hand consumption in Europe, particularly in Germany, is increasing, owing partly, perhaps, to a change in public demand from high-priced butter to the better qualities of margarine, and partly to the easing of the dollar shortage. The producing countries of the Far East are also consuming more oils; India, until recently a large exporter of groundnut oil, has allowed very little to be shipped in the past year, and Indonesian exports of copra have been reduced by the growth in domestic consumption. Russia has been buying more oils and fats, but its purchases tend to be fitful. On the other hand, the British and Dutch governments have been building up large stocks of oils and fats in preparation for decontrol, and though this has contributed to the market's strength in recent months, these stocks will have to be disposed of. The Commodity Credit Corporation may push its sales more vigorously, and the removal of restrictions on the export of its huge stocks of butter may also threaten prices of edible oils.

Troubles in Lead and Zinc

PRICES of zinc and lead, on the London market, have lost the recovery from their sharp falls last month. On Thursday both metals closed easy: for zinc, the price of the current month fell back to £71 15s. a ton and three month's to £70 7s. 6d.; for lead the current month slipped to £82 a ton and three months to £81 5s. Both metals are under

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pressure following the recent decline in consumption in the United States. American producers are naturally clamouring for increased protection against imports. They are having to cut back production—particularly of zinc, stocks of which are very high—and this should eventually stabilise prices. The posted price of spot lead in New York has been reduced by half a cent to 13 cents a lb (£104 a ton); but on the Commodity Exchange the price of the current month is 11.75 cents a lb (£94 a ton). In California, the weight of Australian imports has compelled one smelting company to bring its price of lead in that state to parity with the current St. Louis quotation of 12.80 cents a lb. The St. Louis price of zinc has also been cut by half a cent to 9.50 cents a lb (£76 a ton). To ease the surpluses, American producers have been exporting heavily to Europe. In Britain, where there is still a shortage of zinc, the American metal has been well absorbed, but their offerings of lead saturated the market.

Meanwhile, the Committee of the London Metal Exchange is introducing a new contract for lead on June 1st. The contract should be more to the liking of buyers than the existing one, and may encourage more business to pass through the exchange. The principal change is that the settlement period has been divided into two half-monthly periods. The buyer will therefore obtain delivery within half a month, instead of within just over one month as at present, and the prompt delivery clause has

accordingly been dropped from the new contract. A clause which excused the seller for delays in delivery due to *force majeure* has also been dropped and a new clause has been inserted; this makes the seller responsible for replacing any lead lost on voyage or delayed at sea and for making delivery within thirty days of the last day of delivery allowed under the contract.

SHORTER NOTES

"There has been no addition to the list of countries in default on their external debts." That is the most encouraging point from the 1953 report of the Council of Foreign Bondholders. On the contrary the number of defaulters was further reduced by debt settlements with Austria, Ecuador and Peru. The list of defaulting countries remains long. It includes, Costa Rica, the province of Buenos Aires, China, Bulgaria, Greece, Hungary, Poland and Rumania as well as the debts of Czarist Russia.

The International Bank has made a loan of \$81 million for highway construction in Ecuador. It is made to the Comité Ejecutivo de Vialidad de la Provincia de Guayas and guaranteed by the Ecuadorian Government. The loan is for 10 years at 4½ per cent.

the company's accounts are published nearly a year after the end of the financial year. Unless this gap is closed shareholders will not receive accounts that are free of the EPL incubus until 1956.

LIEBIG'S EXTRACT OF MEAT. Mr Kenneth Carlisle, the chairman of Liebig's, has two stories to tell in his statement accompanying the full accounts for the year to August 31st. There is the dismal story from Argentina and the encouraging account of the group's activities elsewhere. The group's profits rose from £1,944,607 to £2,432,397. The previous year's fall in the profits of Oxo Limited was more than made good, while the results of the French and Belgian subsidiaries also improved. The group benefited substantially from the decision to raise prices in the autumn of 1952. In line with the increase in profits the directors decided to raise the tax free ordinary dividend from 9 to 10 per cent. They wished to pass on to shareholders the benefit of the reduction in the standard rate of income tax. They hope that it will be possible to maintain the dividend at this rate, but the chairman adds the customary warning that the "assessment of prospects for the current and future years is a hazardous business." A drag on equity dividends is already in being through the large commitments of the group, and more particularly of Oxo Limited, for capital expenditure over the next few years. Much of the money retained by subsidiaries is to meet these commitments.

Some of these retentions, however, are involuntary, for the subsidiaries in Argentina have been unable to remit profits or

dividends to the parent company for the last three years. In Argentina matters have gone from bad to worse. The delay in signing the protocol to the Anglo-Argentine trade agreement and the reduction in the quantities of corned beef purchased by the Ministry of Food forced the

	Years to Aug. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	1,944,607	2,432,397
Depreciation.....	273,999	368,455
Foreign taxation.....	218,029	283,558
British taxation.....	632,000	632,000
Net profit.....	880,579	1,148,384
Ordinary dividends.....	180,000	200,000
Ordinary dividends (per cent).....	19	10
Retained by subsidiaries	403,224	601,056
Contingencies reserve ..	30,000	30,000
Added to carry forward.	5,287	6,764
Cons. balance sheet:—		
Fixed assets, less depreciation.....	4,519,343	5,262,987
Net current assets.....	5,337,030	5,945,051
Stocks.....	7,128,003	7,766,154
Cash.....	1,185,664	1,072,611
Bank overdrafts.....	1,074,733	1,086,912
Reserves.....	3,872,801	4,524,203
Ordinary capital.....	2,000,000	2,000,000

£5 ordinary stock at 12½d yields £7 15s. per cent.
† Tax free.

group to look for a market outside the United Kingdom for the sale of a whole season of production. The group was prevented from tapping the only other important market, the United States, by the fixing of the value of export permits by the Argentine authorities at a level too high to attract buyers in the United States. Hence the group's stocks of corned beef have piled up in the Argentine and an "undue strain" has been put on its liquid resources.

LINEN THREAD.—A week ago textile shares were in the van of the boom

in equities and Linen Thread's £1 ordinary stock units were very prominent in this advance. Between the time when Tootal announced a share bonus and a much bigger dividend and the date of Linen Thread's preliminary announcement, these £1 ordinary stock units put on 7s. to 6s. Investors were hoping that Linen Thread would imitate Tootal's example. They were wrong.

Linen Thread's ordinary dividend has been left unchanged at 15 per cent. And the directors made this pill even more uncomfortable to swallow by adding that, having considered the question of a bonus issue to equity shareholders, they have decided that "the earnings outlook, particularly in the United States, is too uncertain to justify action at the present time." After this announcement the equity stocks were marked down 2s. to 58s. to offer a yield of under 5½ per cent. The bulls have found what consolation they can in the implied promise in this announcement that a bonus issue (and, hence, possibly a bigger dividend) will be made once the future of the group's earnings in the United States is clearer.

On the evidence of the group's latest results (for the year to September 30th) it would, however, be difficult to construct a hope that even if the American prospect improves the company can afford to be as generous as Tootal. It is true that the group's profits after charges for repairs and depreciation have risen from £685,574 to £834,823 but, thanks to a much heavier bill for foreign taxes, the balance attributable to the parent company has risen by only £69,068 to £255,366. Out of this sum about £66,000 has to be provided in preference dividends, so that the maintained ordinary dividend, absorbing about £136,000, is covered by earnings of only about £190,000.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950 = 100)					Average Yields (per cent)				
	Jan. 27, 1953	Oct. 27, 1953	Nov. 24, 1953	Dec. 29, 1953	Jan. 26, 1954	Jan. 27, 1953	Oct. 27, 1953	Nov. 24, 1953	Dec. 29, 1953	Jan. 26, 1954
	1953	1953	1953	1953	1954	1953	1953	1953	1953	1954
2½% Consols.....	83.7	90.0	91.2	90.1	90.7	4.23	3.93	3.88	3.93	3.90
Debt securities:										
Industrial.....	80.9	87.2	87.3	87.6	87.7	5.09	4.72	4.71	4.70	4.69
Investment trust.....	81.8	88.1	88.8	89.6	89.6	5.05	4.68	4.65	4.61	4.61
Preference stocks:										
Industrial.....	85.7	91.5	91.6	91.7	91.7	5.29	4.96	4.95	4.94	4.95
Investment trust.....	84.4	87.6	87.7	88.4	88.6	5.23	5.03	5.03	4.99	4.98
Ordinary stocks:										
Banks.....	82.3	97.3	98.4	99.3	98.7	4.94	4.26	4.27	4.23	4.42
Industrial insurance.....	101.7	114.3	116.6	114.4	110.4	5.59	5.04	4.94	5.04	5.22
Investment trust.....	112.8	129.9	134.2	135.0	140.6	5.67	5.44	5.26	5.24	5.10
Electrical engineering.....	96.1	103.9	105.5	102.9	105.0	5.76	5.42	5.59	5.78	5.65
Engineering.....	109.3	113.5	115.9	114.4	117.9	5.14	5.20	5.07	5.26	5.11
Motors and aircraft.....	106.6	117.3	115.0	118.1	120.1	6.30	5.86	6.11	6.11	6.02
Breweries.....	99.2	96.2	103.2	99.8	102.6	6.43	6.75	6.32	6.65	6.45
Chain stores.....	118.7	148.5	152.2	167.0	178.1	4.80	4.25	4.33	3.95	3.89
Cotton textiles.....	86.4	104.8	106.9	110.7	113.8	7.50	6.09	5.98	6.05	6.10
Household goods.....	91.6	104.9	109.8	112.0	118.6	6.35	5.22	5.05	4.98	4.82
Rayon.....	75.0	79.8	79.8	79.5	81.5	7.15	4.30	4.27	4.41	4.33
Tobacco.....	79.4	87.5	90.5	88.8	87.4	7.20	6.73	6.52	6.65	6.76
Wool textiles.....	82.6	100.9	102.2	102.6	104.8	6.29	5.64	5.47	5.64	5.51
Chemicals.....	116.6	126.5	127.3	128.9	134.9	5.39	4.94	5.03	4.96	4.75
Oil.....	105.2	118.0	122.3	125.5	135.9	7.16	6.60	6.52	6.42	6.51
Shipping.....	107.5	118.2	116.7	114.3	120.4	6.67	6.46	6.53	6.67	6.35
Total (capital goods).....	105.9	112.0	113.2	112.6	115.2	5.73	5.67	5.70	5.83	5.70
Total (consumption goods).....	93.6	106.0	109.7	110.8	114.5	6.48	5.83	5.68	5.70	5.60
Total industrial (all classes).....	99.6	108.8	112.4	113.1	117.1	6.22	5.79	5.72	5.76	5.65

LONDON STOCK EXCHANGE

Next Account begins: March 3rd.
Next Contango Day: March 3rd.
Next Settlement Day: February 16th.

By the last day of the old account the boom in the stock market had carried the *Financial Times* ordinary share index to 140.2, or only 0.4 of a point below the all-time peak reached in January, 1947. The biggest gains were recorded on the Friday before the week-end and on Monday, when 17,143 bargains, again the highest level since January, 1947, were marked. This latest phase of the advance was based on the lowering of the American and French re-discount rates, the success of the Government conversion operation and hopes that interest rates in Britain would be lowered as well. The boom in equity prices was, therefore, reflected in the general marking-up of gilt-edged stocks. Gilt-edged prices advanced on each day by about ½ of a point until Wednesday when the market closed little more than steady. In the foreign market speculative interest was concentrated upon "iron curtain" stocks and on Greek issues, which continued to go ahead in sympathy with rises on Wall Street.

The rise in the equity market continued until the first day of the new account. Most of the sections of the market took part in this advance, with the exception of textile shares. Investors began to take profits on Tuesday, so that on that day the *Financial Times* ordinary share index gained only 0.1 of a point. Further profits were taken on the first day of the new account, when store shares were particularly affected by the reaction of prices in late dealings. On that day the ordinary share index fell back to 139.9, and further losses among industrial shares were recorded on Thursday. Oil shares remained firm, and by the close on Wednesday Anglo-Iranian had risen to 9½, but the actual changes in prices were far less spectacular than those in industrial equities. Rubber shares remained steady, but tea shares tended to drift lower. At the end of the old account the gold "producers" in the Kaffir market lost some ground, but the uranium issues remained in favour. At the beginning of the new account, however, the uranium issues received more support.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.‡
Feb. 3....	137.2	111.94	3.91	5.29
" 4....	138.2	111.96	3.92	5.25
" 5....	139.3	112.10	3.90	5.21
" 8....	140.1	112.19	3.89	5.18
" 9....	140.2	112.24	3.89	5.18
" 10....	139.9	112.28	3.89	5.19
1954, High.	140.2	112.28	Total bargains 1954	
" Low.	131.1	111.78	Feb. 3	10,426
" (Jan. 1)	131.1	111.78	" 4	11,505
1953, High.	131.5	112.55	" 8	17,143
" Low.	113.9	106.68	" 9	14,955
" (May 20)	113.9	106.68	" 10	14,513

* Inv. 1 1945-1954 † 1945-1954 ‡ 1945-1954

Company Notes

DECCA RECORD. The stock market could not quite make up its mind about Decca Record's preliminary statement for the year to March 31, 1953. The increase in equity payments was smaller than had been expected but the market also had to work out the implications of a share split and a "rights" issue of ordinary shares. Immediately after the announcement the 5s. ordinary shares were marked up 6d. to 39s., but later they were marked down to the old price.

A bigger dividend paid out of higher profits had been confidently anticipated. In fact neither the rise in profits nor in equity dividends was spectacular. Trading profits advanced from £1,200,000 to £1,310,000. The equity dividend was raised from 1s. 6d. on each 1s. share (equivalent to 30 per cent on the revised capital after the 400 per cent share bonus) to 1s. 9d. on each 5s. share (that is 35 per cent). The directors added the encouraging rider that turnover in the current year has risen above that reported in the year to March 31st last. The group has become firmly established in the market for long playing records, and radar equipment for aircraft and airfields may prove as important as the development of the Decca navigator for ships.

Against this background the implications of the share split look encouraging. Each 5s. ordinary share is to be split into a fully paid 4s. ordinary share and a fully paid 1s. preference share. These preference shares (which will rank after the existing preference issues) are to be

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	1,200,000	1,310,000
Depreciation.....	194,000	227,000
Taxation.....	423,000	561,000
Net profit.....	377,000	379,000
Ordinary dividends.....	94,000	125,000
Ordinary dividends (per cent).....	30*	35
Capital reserve.....	140,000	50,000
General reserve.....	105,000	105,000
Added to carry forward.....	119,000	70,000

5s. ordinary share at 37s. 6d. x4 yields £4 13s. per cent.

* Equivalent rate on new capital of £650,403 after 400 per cent share bonus.

to a "rights" issue of 200,000 4s. ordinary shares at 5s. each in the ratio of one new share for every thirteen held. If the directors expect to maintain a payment of 1s. 9d. on each of these new ordinary shares, then the preference issue may turn out to be a true bonus. And this may very well be the directors' intention, for the first interim dividend (payable on the revised capital) has been maintained at 3d. a share. The chances that the directors will decide to make at least this payment are strengthened by the fact that the company was an outstanding sufferer under EPL. In the latest year it has accounted for £122,000 (against £33,000). The one black spot is that

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Feb. 10		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Feb. 3, 1954	Price, Feb. 10, 1954	Net Yield, Feb. 10, 1954	Gross Yield, Feb. 10, 1954	Prices, 1954 Jan. 1 to Feb. 10		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Feb. 3, 1954	Price, Feb. 10, 1954	Yield, Feb. 10, 1954
High	Low					£ s. d.	£ s. d.	High	Low						£ s. d.
100 3/4	100	War Bonds 2 1/2% '52-54...	100 2/11	100 0 5	...	...	...	48/6	41/4	12 1/2	STEEL & ENGINEERING		44/-	47/6	6 6 4
100 1/2	99 1/2	Exchequer 2 1/2% 1955	100 1/2	100 1/2	...	...	...	14/1 1/2	13/1	15 c	B.S.A. £1		13/3	13/9	6 15 4
100 1/2	101 1/2	Exchequer 3% 1960	101 1/2	101 1/2	...	...	...	52/9	50/1 1/2	10 b	Camell Laird 5/-		50/6	52/-	5 15 5
100 1/2	99 1/2	Exchequer 3% '62-63	100	100	...	...	...	24/9	22/3	24 a	Guest Keen N'fold £1		23/3	22/6	8 0 0
99 1/2	99 1/2	Serial Funding 1 1/2% 1954	99 1/2	99 1/2	...	...	...	51/7 1/2	47/6	12 1/2	United Steel £1		50/-	51/6	5 16 6
99 1/2	99 1/2	Serial Funding 2 1/2% 1957	99 1/2	99 1/2	...	...	...	36/9	32/-	7 b	Vickers £1		35/6	36/6	6 0 7
101 1/2	101 1/2	Serial Funding 3% 1955	101 1/2	101 1/2	...	...	...	27/1 1/2	24/9	12	Bradford Dyers £1		26/3	26/9	5 19 8
100 1/2	100	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	...	...	...	56/6	49/4	7 1/2	Brit. Celanese 10/-		55/-	54/-	4 12 7
100 1/2	100 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	...	...	...	54/9	50/4 1/2	6 1/2	Coats (J. & P.) £1		53/9	53/9	5 4 2 1/2
101 1/2	100 1/2	Nat. Def. 3% '54-58	101 1/2	101 1/2	...	...	...	53/3	48/-	5 a	Courtaulds £1		49/9	52/-	5 15 5 1/2
102 1/2	101 1/2	War Loan 3% '55-59	102 1/2	102 1/2	...	...	...	69/3	64/3	20 c	Lanes Cotton £1		64/9	65/7 1/2	6 0 6
97 1/2	95 1/2	Savings Bonds 3% '55-65	96 1/2	96 1/2	...	...	...	46/6	41/9	7 1/2	Patons & Baldwins £1		45/6	45/6	4 7 11 1/2
98 1/2	97 1/2	Funding 2 1/2% '56-61	97 1/2	98 1/2	...	...	...	44/-	38/-	10 c	Assoc. Elect. £1		41/-	43/9	4 11 5
98 1/2	92 1/2	Funding 3% '59-69	93 1/2	93 1/2	...	...	...	44/6	39/3	10 b	Brit. Insulated £1		41/3	42/6	4 14 1 1/2
95 1/2	93 1/2	Funding 3% '66-68	94 1/2	94 1/2	...	...	...	43/9	37/9	3 1/2	English Elect. £1		40/-	41/3	5 9 1
101 1/2	100 1/2	Funding 4% '60-90	101 1/2	101 1/2	...	...	...	20/6	18/6	6 1/2	General Elect. £1		20/3	20/-	4 18 9
92 1/2	90 1/2	Savings Bonds 3% '60-70	91 1/2	91 1/2	...	...	...	7 1/2	6/3 1/2	4 a	Bristol Aero 10/-		6/7 1/2	7/-	7 10 0
90 1/2	90 1/2	Savings Bonds 2 1/2% '64-67	90 1/2	90 1/2	...	...	...	29/3	26/-	7 1/2	British Motor 5/-		28/3	28/3	5 6 2
103 1/2	101 1/2	Victory 4% '20-76	101 1/2	101 1/2	...	...	...	41/7 1/2	35/9	15 c	De Havilland £1		37/6	41/3	3 12 9 1/2
89 1/2	87 1/2	Savings Bonds 3% '65-75	88 1/2	88 1/2	...	...	...	53/-	47/7 1/2	6 a	Ford Motor £1		50/1 1/2	52/6	5 14 3
94 1/2	93 1/2	Consols 4% aft. Feb. '57	93 1/2	94 1/2	...	...	...	97/-	84/3	25 c	Hawker Siddeley £1		92/6	96/3	5 3 11
86 1/2	85 1/2	Conv. 3 1/2% aft. April '61	85 1/2	86 1/2	...	...	...	35/-	31/-	2 a	Levy Motors £1		33/-	34/-	5 17 8
64 1/2	63 1/2	Treas. 2 1/2% aft. April '75	64 1/2	64 1/2	...	...	...	70/3	68/4	10 b	Raleigh Ind. £1		69/4 1/2	69/4	4 6 6
75 1/2	74 1/2	Treas. 3% aft. April '66	74 1/2	75 1/2	...	...	...	6/9 1/2	5/5 1/2	12 c	Rolls Royce £1		6/6	6/7 1/2	9 3 0
93 1/2	92 1/2	Treas. 3 1/2% '77-80	93 1/2	93 1/2	...	...	...	26/1 1/2	23/7 1/2	20 c	Standard Motor 5/-		24/6	25/9	3 17 8
94 1/2	92 1/2	Treas. 3 1/2% '79-81	93 1/2	93 1/2	...	...	...	36/2	32/-	12 1/2	Boots Pure Drug 5/-		33/3	35/6	5 12 8 1/2
85 1/2	84 1/2	Redemption 3% '86-96	84 1/2	84 1/2	...	...	...	100/6	92/9	17 1/2	Debenhams 10/-		97/6	100/-	4 10 0
85 1/2	84 1/2	War L'n 3 1/2% aft. Dec. '52	84 1/2	85 1/2	...	...	...	86/9	73/10 1/2	35 b	Lyons (J.) "A" £1		79/9	86/3	3 3 11
64 1/2	63 1/2	Consols 2 1/2%	63 1/2	64 1/2	...	...	...	64/-	64/-	20 a	Marks & Spen. "A" 5/-		67/-	69/-	4 6 11
90 1/2	89 1/2	Br. Elec. 3% '68-73	90 1/2	90 1/2	...	...	...	9 1/2	8 1/2	30 b	Anglo-Italian £1		9 1/2	9 1/2	3 14 2
89 1/2	87 1/2	Br. Elec. 3% '74-77	88 1/2	88 1/2	...	...	...	56/10 1/2	56/10 1/2	12 1/2	Burmah Oil £1		61 10 1/2	65/-	4 12 4
105 1/2	103 1/2	Br. Elec. 4 1/2% '74-79	104 1/2	105 1/2	...	...	...	£37 1/2	£33 1/2	12 b	Royal Dutch 100 fl.		£37	£37	4 1 2
94 1/2	93 1/2	Br. Elec. 3 1/2% '76-79	94 1/2	94 1/2	...	...	...	100/10 1/2	93/4	10 1/2	Shell Reg. £1		99 4 1/2	100/-	5 0 0
84 1/2	83 1/2	Br. Trans. 3% '78-88	83 1/2	84 1/2	...	...	...	17/6	17/6	5 1/2	Trinidad L'holds 5/-		19/9	20/3	3 14 2
90 1/2	89 1/2	Br. Trans. 3% '68-73	90 1/2	90 1/2	...	...	...	65/9	56/10 1/2	12 1/2	Cunard £1		39/6	41/6	7 1 1/2
101 1/2	100 1/2	Br. Trans. 4 1/2% '72-77	101 1/2	101 1/2	...	...	...	£37 1/2	£33 1/2	12 b	P. & O. Def. £1		74/-	76/-	5 5
85 1/2	84 1/2	Br. Gas 3 1/2% '90-95	84 1/2	85 1/2	...	...	...	20/6	17/6	5 1/2	Royal Mail £1		34/-	34/6	5 15
98 1/2	96 1/2	Br. Gas 3 1/2% '69-71	96 1/2	96 1/2	...	...	...	42/-	37/9	13 1/2	Assoc. Port. Cem. £1		75/7 1/2	77/6	3 17 5
101 1/2	99 1/2	Br. Gas 4 1/2% '69-72	101 1/2	101 1/2	...	...	...	76/4 1/2	62/6	14 b	Bowater Paper £1		43/4 1/2	48/9	6 3 1

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953		Prices, 1954 Jan. 1 to Feb. 10		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Feb. 3, 1954	Price, Feb. 10, 1954	Yield, Feb. 10, 1954
High	Low	High	Low					
92	84 1/2	91 1/2	90 1/2	Aust. 3 1/2% '65-69	90 1/2	91 1/2	4 0 0	50/1 1/2
95 1/2	91	95 1/2	94 1/2	N. Zealand 3 1/2% '62-65	94 1/2	94 1/2	3 17 6 1/2	44/-
99 1/2	95 1/2	98 1/2	97 1/2	S. Africa 3 1/2% '54-59	98 1/2	98 1/2	3 17 6 1/2	36/-
73 1/2	66 1/2	72 1/2	71 1/2	L.C.C. 3% aft. 1920	72 1/2	72 1/2	4 2 9 1/2	36/8
95 1/2	90 1/2	95 1/2	95 1/2	Liverpool 3% '54-64	95 1/2	95 1/2	3 10 0 1/2	16 1/2
94 1/2	88 1/2	94 1/2	93 1/2	P.L.A. 3 1/2% '66-71	93 1/2	93 1/2	4 0 10 1/2	3 1/2
104 1/2	101 1/2	102 1/2	101 1/2	Agric. Mort. 5% '59-89	102 1/2	102 1/2	4 12 3 1/2	5/9
77 1/2	66 1/2	79 1/2	75 1/2	Austria 4 1/2% '34-59	79 1/2	79 1/2	4 5 5 1/2	36/-
21 1/2	8	16 1/2	11 1/2	Chinese 5% 1913	16 1/2	16 1/2	Nil	18/5
74 1/2	49 1/2	78 1/2	71 1/2	German 5%	73 1/2	73 1/2	...	53/-
102 1/2	65	110	102	German 4 1/2%	107	109	...	56/3
139 1/2	119	143 1/2	132 1/2	Japan 5% 1907	141	143	...	57/6

Prices, 1954 Jan. 1 to Feb. 10		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Feb. 3, 1954	Price, Feb. 10, 1954	Yield, Feb. 10, 1954
High	Low						
46/-	44/-	7 a	BANKS & DISCOUNT		44/6	45/-	£ s. d.
62/6	58/9	6 a	Barclays £1		60/-	60/-	4 13 4
81/6	74/10 1/2	8 a	Lloyds "A" £5, £1 pd.		76/6	78/6	4 1 6
81/-	73/-	8 1/2 a	Midland £1 fully pd.		73/6	74/6	4 11 3
90/-	81/6	9 a	N. Prov. "B" £5, £1 pd.		84/-	84/6	4 5 3
100/-	92/-	7 1/2 a	Westminster £4, £1 pd.		96/6	96/6	5 3 8
60/-	54/6	5 a	Alexanders £2, £1 pd.		58/-	58/-	3 9 0
51/6	46/9	5 a	Nat. Disc. "B" £1		47/6	47/6	4 4 3
41/-	38/6	4 a	Union Disc. £1		39/6	40/6	3 19 0
45/3	40/3	9 b	Barc. (D.C. & O.) "A" £1		43/-	45/-	6 4 5 1/2

Prices, 1954 Jan. 1 to Feb. 10		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Feb. 3, 1954	Price, Feb. 10, 1954	Yield, Feb. 10, 1954
High	Low						
10	9 1/2	85 b	INSURANCE		9 1/2	9 1/2	3 5 10
21 1/2	20 1/2	40 1/2 b	Leg. & Gen. £1, 5/- pd.		20 1/2	21 1/2	5 1 6
38 1/2	35 1/2	100 c	20th Pearl £1, fully pd.		37	38	5 0 6
			Prudential "A" £1				
			BREWRIES, ETC.				
128/3	126/-	10 a	Bass £1		126/10 1/2	126/10 1/2	6 15 7
19/9 1/2	17/4 1/2	15 b	71a Distillers 4/-		18/6	19/6	4 12 4
33/6	31/7 1/2	7 a	11 b Guinness 10/-		32/-	32/6	5 10 9
8/9 1/2	8/4 1/2	4 a	8 b Ind Coops 5/-		8/6	8/6	7 1 2

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 7 1/2% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18-6%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 14%, as forecast by Company. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 11 1/2% after capital bonus. (o) Yield basis 9%. (p) Also 5% net capital distribution, not included in yield. (q) Yield basis 20%. (r) Yield basis 15% after capital bonus. (s) Yield basis 15%, as forecast by Company. (t) Yield basis 19-7% gross. (u) Yield basis 7 1/2%. (v) Also 2 1/2% tax free out of capital profit, not included in yield. Yield basis 20%. (x) Yield basis 18-18% gross. (y) Yield basis 11 1/2%.

Statistics

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

BRITISH	Feb. 6th	Western Europe:	Feb. 6th
Prices and Wages.....	This week	Production and Trade.....	This week
Production and Consumption	Jan. 16th	British Commonwealth	This week
Manpower.....	Jan. 30th	Western Europe:	Jan. 16th
External Trade.....	This week	Prices and Money Supply	Jan. 30th
Financial Statistics	Jan. 23rd	United States	Jan. 30th
Industrial Profits.....	Jan. 23rd		

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			
			1951	1952	1953	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
INDUSTRIAL PRODUCTION												
Index :												
All industries		1948=100	117	114	...	119	123	112	125	129	132	120-121*
Mining and quarrying		"	108	109	...	117	117	104	112	117	120	...
Building and contracting		"	101	103	...	107	111	94	116	...	...	...
Gas, electricity and water		"	124	127	...	132	145	151	123	135	145	...
Manufacturing, total		"	121	115	...	121	124	113	128	133	134	122
Engineering, shipbuilding, electrical goods		"	127	127	...	132	137	124	134	...	...	...
Vehicles		"	124	124	...	127	132	128	148	154	...	...
Chemical trades		"	134	132	...	136	146	136	152	...	...	...
Textiles and clothing		"	116	99	...	112	114	100	121	125	...	...
BASIC MATERIALS												
Production of :												
Coal (t)	W	'000 tons	4,275	4,332	4,299	4,622	4,587	4,055	4,424	4,598	4,691	4,252
Pig-iron	W	"	186	202	215	204	207	206	214	222	229	225
Steel, ingots and castings	W	"	301	310	339	328	345	314	347	355	363	321
Sulphuric acid	M	"	133.8	125.5	...	127.7	140.3	156.7	152.3	163.1	171.2	...
Nitric acid	W	"	10.13	10.32	...	10.85	11.12	10.57	11.86	12.77	12.71	...
Electricity	M	mn. kwh	4,964	5,166	5,459	5,526	5,947	6,525	5,018	5,828	6,099	6,533
MANUFACTURING												
Textile production :												
Cotton yarn, single	W	mn. lb	20.71	14.82	18.03	16.74	17.53	15.79	19.43	20.33	20.59	19.48
Worsted yarn	M	"	16.61	14.84	...	19.75	17.64	17.73	20.27	21.31	20.00	...
Rayon and synthetic fibres, total	M	"	32.00	23.59	34.94	28.42	27.78	29.22	36.22	38.45	36.13	34.86
Rayon and synthetic fibres, staple fibre	M	"	13.93	10.59	16.85	15.49	14.75	14.88	17.55	18.97	17.54	16.69
Cotton cloth, woven	W	mn. yds	42.3	32.5	35.4	33.8	34.9	31.1	36.6	41.2	41.0	36.5
Wool fabrics, woven	M	mn. sq yds	34.8	31.5	...	39.1	35.1	34.6	37.8	39.2	36.0	...
Engineering production :												
Passenger cars and chassis	W	'000s	9.15	8.62	11.44	9.73	9.96	8.99	12.86	13.29	13.35	12.11
Commercial vehicles and chassis	W	"	4.96	4.65	4.61	5.25	5.02	4.61	4.92	5.44	5.20	4.71
Metal-working machine tools	M	'000 tons	11.09	12.58	...	14.70	12.40	14.30	13.69	13.67	...	...
Internal combustion engines	M	'000 BHP	353	331	...	315	350	334	321	329	312	...
BUILDING ACTIVITY												
Permanent houses completed (1)												
Total	M	'000s	16.24	19.99	26.56	23.29	22.14	23.40	28.52	30.03	29.38	33.51
For private owners	M	"	1.88	2.86	5.24	3.96	3.71	3.99	6.21	6.86	6.47	6.80
For local housing authorities	M	"	13.55	16.11	19.91	18.02	17.40	18.50	20.67	21.31	21.05	24.42
Other	M	"	0.81	1.03	1.41	1.32	1.03	0.91	1.64	1.86	1.85	2.29
WHOLESALE SALES (1)												
Textile houses :												
Total home sales		Av. value										
1950=100			104	90	95	133	112	98	135	136	116	87
Women's and children's wear		"	100	90	96	134	108	92	139	138	109	85
Men's and boys' wear		"	104	82	91	118	106	99	129	130	120	86
Piece-goods		"	103	68	66	83	66	66	81	80	59	57
RETAIL SALES (1)												
Large retailers :												
All merchandise		Weekly										
av. value			109	117	...	117	125	156	120	125	132	...
Clothing and footwear		1950=100	110	110	...	116	118	165	109	121	124	...
Household goods		"	108	102	...	108	114	129	116	119	126	...
Independent retailers :												
Clothing and footwear		"	100	95	...	96	100	134	90	98	99	...
Household goods		"	112	109	...	117	124	142	121	131	137	...
STOCKS												
Basic materials :												
Coal, distributed (t)		'000 tons	16,115	16,311	18,184	19,481	18,882	16,311	17,782	18,786	19,021	18,184
Steel		"	585	739	...	725	717	739	1,015	986	995	...
Copper (t)		"	113.4	132.0	...	119.1	126.4	132.0	31.9	36.8	50.4	...
Sulphur		"	99.4	211.8	...	214.1	223.6	211.8	109.2	97.5	89.7	...
Newsprint		"	109.9	189.7	...	172.3	181.0	189.7	126.0	118.9	115.4	...
Softwood		'000 stds.	724	616	...	669	644	616	810	791	760	...
Textiles :												
Wholesale houses, total (1)		Av. value										
1950=100			129	74	89	83	79	74	102	93	94	89
Large retailers, clothing and footwear (1)		"	106	92	...	103	104	92	109	112	118	...

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	1,336	74	...	363	2,180	...	118	478
1951.....	1,468	1,216	2,869	2,184	508	12.5	875	4,785	489	288	972
1952.....	1,620	1,153	3,019	2,302	646	14.7	942	5,149	517	301	1,045
1953											
August.....	1,753	676	2,748	2,338	1,137	12.9	1,198	5,089	588	321	1,189
September.....	1,735	1,010	2,972	2,362	1,092	12.9	1,130	5,089	576	300	1,122
October.....	1,750	1,247	2,937	2,416	960	16.6	1,158	5,510	583	304	1,149
November.....	1,740	...	2,677	2,284	...	...	...	...	...	282	1,123

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	277	132	103	81.9	373	983.3
1953	16.0	28.4	7.8	47.9	5.20	...	...	...	...	...	...	...
1953												
August	16.2	28.8	9.5	51.1	5.77	178	302	100	112	107.1	329	1,017.4
September	11.7	25.5	8.5	47.5	4.51	161	294	102	108	87.0	335	1,000.9
October	12.7	31.6	7.5	49.4	5.87	175	324	133	106	88.6	284	1,015.9
November	12.3	30.6	8.0	48.4	4.31	171	297	...	...	...	...	1,002.6
December	13.0	27.9	10.5	52.6	4.92	...	...	...	...	...	...	...

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C\$		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1938.....	10.6	11.8	56	71	...	...	4.62	4.76	...	...	7.97	2.71
1951.....	61.8	81.8	340	330	795	619	17.21	20.61	135.0	212.8	39.17	28.82
1952.....	87.5	55.7	336	363	550	482	21.04	19.98	178.3	167.4	34.83	28.02
1953.....												
August.....	52.2	48.7	345	347	500	401	15.22	12.26	83.4	114.0	36.18	24.21
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	362	348	455	482	...	15.28	104.8	92.5	36.20	31.60
November.....	50.7	85.2	352	355	393	478	...	...	92.1	99.6	32.83	29.61

EXCHANGE RESERVES AND PRICES (4)

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia	Canada	India	New Zealand	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1948 = 100						
1938.....	214	220	485	41	259	69	66	...	72	...	68	71
1952.....	944	1,864	1,729	120	381	170	121	105	128	101	126	133
1953.....	...	1,825	...	204	291	...	...	...	...	...	...	137
1953												
August.....	...	1,771	1,716	220	260	179	120	113	135	112	132	138
September.....	...	1,791	1,732	219	265	...	121	112	...	113	133	137
October.....	...	1,791	1,720	210	260	...	121	...	...	113	133	137
November.....	...	1,813	1,737	207	266	...	121	...	...	112	131	137
December.....	...	1,825	...	204	291	...	120	...	...	...	...	137

(1) Petroleum production in Canada in 1938 and 1951 includes natural gasoline. Annual figures of electricity production in Australia are for 12 months ended June 30th of year stated and for New Zealand 12 months beginning April 1st; monthly figures for New Zealand represent about 87 per cent of total generation. (2) Copper production is smelter; tin is primary metal. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are c.i.f. except for Australia, Canada and S. Africa which are f.o.b.; exports are f.o.b. Trade for India and Pakistan includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia and Pakistan 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for Pakistan is based on 12 months ended March, 1949, as 100; for S. Africa relates to Europeans only. (5) Average of third quarter.

EXCHEQUER RETURNS

For the week ended February 6th, there was an "above-line" surplus (after allowing for Sinking Funds) of £149,287,000 compared with a surplus of £123,130,000 in the previous week and a surplus of £139,763,000 in the corresponding period of last year, raising the cumulative surplus to £151,904,000 (£119,534,000 in 1952-53). Net expenditure "below-line" absorbed £12,683,000 which brought the total cumulative deficit to £184,123,000 (£365,168,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Feb. 7, 1953	April 1, 1953 to Feb. 6, 1954	Week to Feb. 7, 1953	Week to Feb. 6, 1954
Ord. Revenue	1782,250	1330,537	1342,440	110,609	116,978
Income Tax.....	127,000	98,200	97,700	8,500	7,500
Surplus.....	160,000	126,250	138,600	2,800	3,700
Death Duties.....	52,000	42,550	47,300	800	1,100
Stamps.....	214,000	340,100	166,900	6,500	3,000
Profits Tax & E.P.T.	99,500	850	55,750	300	1,600
Excise.....	1,000	1,670	1,070	...	...
Special Contribution and other Inland Revenue.....	...	...	...	...	...
Total Inland Rev.	2435,750	1940,157	1849,760	129,509	133,878
Expenditure	1044,300	886,650	901,481	19,408	18,874
Excise.....	680,480	651,248	647,460	56,685	55,520
Total Customs and Excise	1724,780	1537,898	1548,941	76,093	74,394
Motor Duties.....	69,000	65,766	71,632	4,228	3,712
P.O. (net receipts).....	2,685	...	3,300	...	2,900
Broadcast Licences.....	16,000	11,900	13,550	...	...
Sundry Loans.....	25,000	22,174	34,684	170	55
Miscellaneous.....	95,000	97,060	102,938	1,014	112
Total	4368,215	3674,956	3624,806	211,014	215,051
Ord. Expenditure	315,000	481,901	477,517	17,539	13,956
Debt Interest.....	48,000	36,450	42,060	2,203	2,568
Payments to N. Ireland Exchequer.....	10,000	9,711	8,755	...	...
Other Cons. Fund.....	3586,286	2999,167	2916,163	50,300	48,600
Supply Services.....	...	...	...	...	...
Total	4259,286	3527,250	3444,496	70,042	64,524
Sinking Funds	...	28,172	28,406	1,200	1,240
"Above-line" Surplus or Deficit	119,534	151,904	139,763	149,287	...
"Below-line" Net Expenditure	484,702	336,027	7,257	12,683	...
Total Surplus or Deficit	365,168	184,123	132,506	136,604	...
Net Receipts from:					
Tax Reserve Certificates.....	37,104	54,328	14,775	14,772	...
Savings Certificates.....	11,600	15,050	1,800	100	...
Defence Bonds.....	47,238	34,338	336	604	...

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
Feb. 7. . .	2,920.0	1,404.1	245.0	...	4,569.1
Nov. 7. . . .	4,535.2*		250.0	...	4,785.2
" 14.	4,591.7*		253.9	...	4,845.5
" 21.	4,604.2*		268.8	...	4,873.0
" 28.	4,620.5*		254.0	...	4,875.1
" 5.	4,674.4*		342.5	...	4,916.9
" 12.	4,726.3*		283.1	2.3	4,966.7
" 19.	4,759.0*		266.9	1.0	5,026.9
" 26.	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	...	4,502.6
Feb. 6. . . .	3,040.0	1,362.5	236.0	...	4,638.5

* 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.

Financial Statistics

THE MONEY MARKET

The discount market raised its bid by 2d. to £99 9s. 8d. per cent for the £220 million of bills on offer at last week's Treasury bill tender; its action was influenced less by the reduction of the bank rates in New York and Paris during the week than by the unduly low allotment received at the previous tender—and the likelihood of high applications at the current one. The average rate of discount fell by nearly 7½d. to £2 1s. 3.68d. per cent, its lowest for nearly two years.

In the event, Lombard Street appears to have chosen an unfortunate time to raise its bid, for credit conditions in the following week were exceptionally difficult. On the preceding Thursday supplies had been not quite so short as on previous Thursdays in the new year and only small special purchases had been necessary, whilst on Friday the market was just able to balance its books without official help. But on the following days the shortage of money became acute; on both Monday and Tuesday moderate special purchases (made indirectly through the banks) did not save a few houses from recourse to the Bank at the penal rate, whilst on Wednesday a recurrence of Bank borrowing was prevented only by considerable official purchases of bills from the banks. The market was forced to concede rates of 2½ per cent on late April bills in sales to the banks during these days of stringency, and on Wednesday it paid up to 2½ per cent for outside money.

The week's heavy special purchases are reflected in the Bank return, which shows an increase of £15.8 million in Government securities held in the banking department (though "securities" are down by £9.3 million).

LONDON MONEY RATES

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

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates : Spot					
	Feb. 10	Feb. 4	Feb. 5	Feb. 6	Feb. 8	Feb. 9	Feb. 10
United States \$...	2-78-2-82	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂
Canadian \$		2-72 ¹ / ₂ -2-72 ¹ / ₂	2-72 ¹ / ₂ -2-72 ¹ / ₂	2-72 ¹ / ₂ -2-72 ¹ / ₂	2-71 ¹ / ₂ -2-72 ¹ / ₂	2-71 ¹ / ₂ -2-71 ¹ / ₂	2-71 ¹ / ₂ -2-71 ¹ / ₂
French Fr.	972-65-987-35	979-979 ¹ / ₂	979-979 ¹ / ₂	979 ¹ / ₂ -979 ¹ / ₂	979-979 ¹ / ₂	979 ¹ / ₂ -980	979 ¹ / ₂ -980
Swiss Fr.	12-15 ¹ / ₂ -12-33 ¹ / ₂	12-21-12-21 ¹ / ₂	12-20 ¹ / ₂ -12-21 ¹ / ₂	12-20 ¹ / ₂ -12-21 ¹ / ₂	12-20 ¹ / ₂ -12-20 ¹ / ₂	12-20 ¹ / ₂ -12-20 ¹ / ₂	12-20 ¹ / ₂ -12-20 ¹ / ₂
Belgian Fr.	138-95-141-05	139-70-139-80	139-70-139-80	139-70-139-80	139-70-139-80	139-70-139-80	139-70-139-80
Dutch Gld.	10-56-10-72	10-62-10-62 ¹ / ₂	10-62 ¹ / ₂ -10-62 ¹ / ₂	10-62 ¹ / ₂ -10-62 ¹ / ₂	10-62-10-62 ¹ / ₂	10-61 ¹ / ₂ -10-62	10-61 ¹ / ₂ -10-62
W. Ger. D-Mk.	11-67 ¹ / ₂ -11-84 ¹ / ₂	11-69 ¹ / ₂ -11-70	11-69 ¹ / ₂ -11-70 ¹ / ₂	11-69 ¹ / ₂ -11-70 ¹ / ₂	11-69 ¹ / ₂ -11-70 ¹ / ₂	11-69 ¹ / ₂ -11-70 ¹ / ₂	11-69 ¹ / ₂ -11-70
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 / ₂ -14-59 ¹ / ₂	14-51 ¹ / ₂ -14-52	14-51 ¹ / ₂ -14-52 ¹ / ₂	14-51 ¹ / ₂ -14-52 ¹ / ₂	14-51 ¹ / ₂ -14-52 ¹ / ₂	14-51 ¹ / ₂ -14-52 ¹ / ₂	14-51 ¹ / ₂ -14-52 ¹ / ₂
Danish Kr.	19-19 ¹ / ₂ -19-48 ¹ / ₂	19-37-19-37 ¹ / ₂	19-37 ¹ / ₂ -19-38 ¹ / ₂	19-37 ¹ / ₂ -19-38 ¹ / ₂	19-37 ¹ / ₂ -19-38	19-37 ¹ / ₂ -19-38 ¹ / ₂	19-37 ¹ / ₂ -19-38
Norwegian Kr.	19-85-20-15	20-00-20-00 ¹ / ₂	20-00 ¹ / ₂ -20-00 ¹ / ₂	20-00 ¹ / ₂ -20-00 ¹ / ₂	20-00-20-00 ¹ / ₂	20-00-20-00 ¹ / ₂	20-00 ¹ / ₂ -20-00 ¹ / ₂
One Month Forward Rates							
United States \$		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Canadian \$		1c. dis	1c. dis	1c. dis	1c. dis	1c. dis	1c. 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.		2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	1 ¹ / ₂ -3 ¹ / ₂ dis
Belgian Fr.		1c. pm-1 ¹ / ₂ dis	1c. pm-1 ¹ / ₂ dis	1c. pm-1 ¹ / ₂ dis	1c. pm-1 ¹ / ₂ dis	1c. pm-1 ¹ / ₂ dis	1 ¹ / ₂ -3 ¹ / ₂ dis
Dutch Gld.		1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm	1 ¹ / ₂ -1c. pm
W. Ger. D-Mk.		1pt. pm-par	1pt. pm-par	1pt. pm-par	1pt. pm-par	1pt. pm-par	1pt. pm-par
Swedish Kr.		1 ¹ / ₂ -1 ¹ / ₂ pm	1 ¹ / ₂ -1 ¹ / ₂ pm	1 ¹ / ₂ -1 ¹ / ₂ pm	1 ¹ / ₂ -1 ¹ / ₂ pm	1 ¹ / ₂ -1 ¹ / ₂ pm	1 ¹ / ₂ -1 ¹ / ₂ pm
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

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PLANNED PENSIONS

PLANNED COST

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ESTABLISHED 1844
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LIFE ASSURANCE SOCIETY
10, LINCOLN'S INN FIELDS, LONDON, W.C.2

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1953

LIABILITIES	
Capital paid up...	£9,479,416
Reserve Funds (Including Share Premium Account £1,144,950)	12,250,000
Current, Deposit and Other Accounts	870,942,508
Liabilities for Acceptances, Endorsements, Engagements, etc.	29,602,748
	£922,274,672
ASSETS	
Coin, Bank Notes and Balances with the Bank of England	£73,712,731
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	43,601,115
Money at call and short notice	77,041,000
Bills Discounted	192,618,239
Investments	249,671,649
Advances to Customers and Other Accounts	244,188,224
Trade Investments	5,450,661
Bank Premises	6,388,305
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	29,602,748
	£922,274,672
HEAD OFFICE:	
15, Bishopsgate, London, E.C.2	



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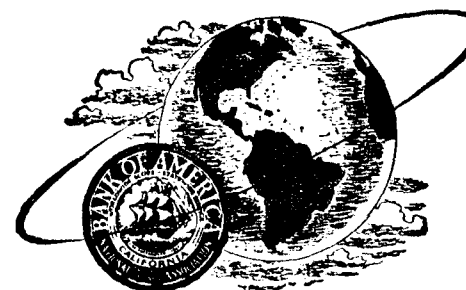
(Incorporated in Victoria)
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THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

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Christiania Bank og Kreditkasse

Established 1848

Every banking facility

TELEGRAMS: KREDITKASSEN

OSLO — NORWAY



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 54 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.

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Head Office: KARACHI (PAKISTAN)

BRANCHES:

RANGOON (BURMA) and COLOMBO (CEYLON)
Correspondents and Agents at all important Cities of the World.

CLYDESDALE & NORTH OF SCOTLAND BANK LIMITED.

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Sir Harold E. Yarrow, Baronet, C.B.E., LL.D., Chairman.
Sir Andrew S. Macharg } Deputy Chairmen.
John S. Allan, D.L.

The Rt. Hon. The Earl of Feversham, D.S.O., D.L.
The Rt. Hon. Lord Harlech, K.G., P.C., G.C.M.G.
Frank Fleming, D.S.O., D.L.
Robert Laidlaw.
Alexander Logan McClure, W.S.
Lachlan Mackinnon, D.S.O.

The Rt. Hon. Lord Maclay, K.B.E.
Andrew Mitchell.
The Rt. Hon. Lord Boyd Orr of Brechin, D.S.O., M.C., LL.D., F.R.S.
Sir Albert G. Stern, K.B.E., C.M.G., D.L.
William Thyne.

NORTHERN AREA LOCAL BOARD

John S. Allan, D.L., Chairman.

Frank Fleming, D.S.O., D.L., Deputy Chairman
Sir George W. Abercromby, Baronet, D.S.O.
Alexander Lyon, D.S.O., D.L.

James A. Mackie, O.B.E.
Lachlan Mackinnon, D.S.O.
The Rt. Hon. Lord Boyd Orr of Brechin, D.S.O., M.C., LL.D., F.R.S.
George Robb

John J. Campbell, General Manager.

STATEMENT OF ACCOUNTS—31st DECEMBER, 1953.

LIABILITIES			ASSETS		
	1953	1952		1953	1952
Paid-up Capital	£2,441,000	£2,441,000	Coin, Notes and Balances with Bank of England	£21,969,324	£20,811,103
Reserve Fund	3,700,000	3,700,000	Balances with and Cheques on other Banks	24,739,099	25,447,900
Notes in Circulation	20,219,724	18,646,144	Money at Call and Short Notice in London	17,475,000	15,800,000
Current, Deposit and Other Accounts	166,408,638	159,852,708	Bills Discounted	202,288	232,531
Acceptances and Engagements	8,127,689	6,865,352	Investments	85,296,439	78,923,651
			Advances to Customers and other Accounts	42,195,879	42,544,560
			Liability of Customers for Acceptances and Engagements	8,127,689	6,865,352
			Bank Premises and other Properties	1,197,794	1,179,699
HEAD OFFICE			30 St. Vincent Place, Glasgow.		
ABERDEEN (Chief Office)			5 Castle Street, Aberdeen.		
EDINBURGH (Chief Office)			29 George Street, Edinburgh.		
OVERSEAS (Chief Office)			91 Buchanan Street, Glasgow.		
LONDON (Chief Office)			30 Lombard Street, E.C.3.		



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Bankers in South Africa to the United Kingdom Government. Bankers to the Federal Government of Rhodesia and Nyasaland, and to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika.

Capital Authorised	£15,000,000
Capital Subscribed	£12,000,000
Capital Paid-up	£7,000,000
Reserve Fund	£7,000,000

10 CLEMENTS LANE, LOMBARD STREET and 77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch—63 London Wall, E.C.2
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Banking Business of every description transacted at all Branches and Agencies.

COMPANY MEETINGS

COLVILLES LIMITED

AN EVENTFUL YEAR

GRATIFYING IMPROVEMENT IN RAW MATERIAL SUPPLIES

A FULL ORDER BOOK

SIR JOHN CRAIG'S STATEMENT

The twenty-third annual general meeting of Colvilles Limited was held on February 5th at the registered office of the company, 195 West George Street, Glasgow, Sir John Craig, CBE, DL, LLD (chairman and joint managing director), presiding.

The following is the chairman's statement which was circulated with the report and accounts for the 53 weeks ended October 3, 1953:

The twelve months under review have been eventful both nationally and internationally. At home, the Iron and Steel Act, 1953, came into force on July 13, 1953, and the Iron and Steel Corporation of Great Britain was dissolved. The new Iron and Steel Board was set up to supervise the operations of the industry, and the Iron and Steel Holding and Realisation Agency took over the ownership of the various steelmaking companies with the object of selling them to the general investing public.

CONDITIONS AT HOME AND ABROAD

Abroad, there has been the armistice in Korea with its effects on the demand for defence materials and the reactions on world markets. Nearer home, we have the European Coal and Steel Community, better known as the Schuman Plan, with its High Authority beginning to function actively in the affairs of the Continental steel makers. It is now facing problems within its own organisation, and the shape of the future development of this great scheme will depend on how these present problems are solved. The question of the relationship between the British Steel Industry and the Schuman Plan countries is one of national policy and is therefore a matter for the Government. You will not expect me to comment on it. In the past, we had cordial relations with the Continental steel makers, and we were satisfied that these were of benefit not only to the steel industry, but also to the consumers of steel in this country.

Another outstanding development internationally during the past year has been the discovery of great resources of iron ore in various parts of the world. The subject is naturally one of great importance to us, for we draw substantially upon foreign ore for our production of pig iron. Very large resources have been discovered in Africa, and, through the British Iron and Steel Federation, we are associated with other makers in developing iron ore mines in that country. It is evident that there is an abundance of iron ore available, and the question of transport has been duly considered. In this field, too, British makers have co-operated by completing agreements with shipowners for the building of ships specifically for the carrying of iron ore.

It is gratifying that the improvement in our own supplies of raw materials, mentioned in last year's statement, continued and has enabled us to add to our stocks.

ACCOUNTS

I will not trouble you with many comments on the details of the accounts, as I think the

directors' report gives full particulars. With the transfer of £900,000 to the general revenue reserve, you will have noted that the balance of £3,900,000 is in line with the total ordinary capital; in fact, when all the reserves are taken into account, they are substantially in excess of the issued capital.

The increase in stocks, which I mentioned earlier, is, of course, reflected in the balance sheets, and it is satisfactory to have been able to add over £2,500,000 to stocks, and to have spent over £2,100,000 on new plant and yet to have maintained our high proportion of liquid resources. In calculating our surplus current assets, the loan to the Agency must be taken into account as it is on call at short notice. In the consolidated balance sheet the current assets total £23,050,500 and the liabilities, including the tax due on January 1, 1955, total £15,603,237, showing a surplus of over £7 million.

This year's expenditure of £2,100,000 on plant brings the total spent on fixed assets since the war to at least £10,500,000. Taking into account the commitments of over £2,500,000, the total capital expenditure since the war will have exceeded £13 million in the near future. In addition to the expenditure on capital additions, a substantial sum has been spent in maintaining the works in good repair.

MAGNITUDE OF TAXATION CHARGE

The profit and loss account shows the magnitude of the charge for taxation which amounts approximately to 61 per cent of the gross earnings, which is about five times the amount paid as dividends.

Some relief was introduced at the last Budget when the rate of income tax was reduced, but further reductions must take place if plant is to be maintained in an efficient state, especially when the continued reduction in the purchasing power of the £ is taken into account.

It is interesting to note the position regarding investments in coal subsidiaries. While progress was made during the year, and certain payments were received, the compensation due to Russell's has not yet been finally adjusted. It is disappointing that the provisional valuation is less than our claim, but the matter is still open and we have appealed. It is clear, however, that the total compensation to be received will exceed the cost of our original investment in coal.

PLANT AND WORKS

Recently the light section mill came into operation at Dalzell and is proving a successful addition to the plant, embodying as it does the most modern features in operating technique and reducing costs substantially. The alteration to No. 4 Melting Shop at Dalzell has just been completed but not in time to affect results of the past year. The electrification of the drive of the wide plate mill has been ordered and during next year should come into operation, together with additional heating plant. These alterations

will increase the output of plates at these works.

The engineering works at Mossend have been steadily developed. Much new plant has been installed and more is on order. We are satisfied from our experience that these works are of real value in carrying through major improvements in existing plant, as well as in the production of new plant for the extensions which are necessary from time to time.

At the works of the Lanarkshire Steel Company, the electrification of the heavy section mills has been completed and has proved a success, so much so that at these works the use of steam as a motive power has almost been eliminated, with great economy in the cost of fuel. The steam produced from the waste heat is now used to generate electricity sufficient not only to provide all the needs of the Lanarkshire Steel Company, but also to supply a substantial quantity of electrical current to Dalzell Steel Works.

SUBSIDIARY COMPANIES

Smith and McLean have had another successful year and the demand for their products is undiminished. They continue to meet a widespread demand for the exceptional sizes and qualities of sheets which they produce. Their galvanising works also have been fully employed on work for both the home and the export markets. A great amount of work of a special kind has been done and the demand continues.

The Clyde Alloy Steel Company have been fairly well employed throughout the year but the readjusting of consumers' stocks brought about some recession in the demand for alloy steel during the summer. Generally, however, the demand for their products has been maintained and steel of special qualities has been exported to America, as well as to Continental countries. A contract for the reconstruction of one of the mills has been placed and is anticipated to be completed by the summer of 1954.

The Colville Constructional Company have had a successful year. One of the important contracts recently completed was the new buildings occupied by Rolls-Royce at East Kilbride, requiring the supply of several thousand tons of steel. The work was completed in less than the contract time. Several important constructional contracts for power houses have also been completed during the year.

At Fullwood Foundry, Mossend, we are now laying down extensive plant for the treatment of sand, as well as a hydro blast for the dressing of moulds. At Hamilton Foundry, a new sand preparation and handling plant has proved advantageous, both as regards tonnage produced and finish of castings. At these works, over two years ago, we decided to install baths for the workmen. Only now have we received the necessary licence to proceed and we hope that the baths will come into use during this year.

We have limestone quarries in Northern Ireland, and during the past year, we have reached the final stages of a scheme of modernisation. The improved plant, in addition to supplying material for our own works, is now producing a wide range of limestone products for several markets.

DEVELOPMENT

Reference was made in last year's report to the decision of the directors to prepare a scheme for further expansion in pig iron production. Plans embodying the erection of new coke ovens, blast furnace and a melting shop at Motherwell are in the hands of the Iron and Steel Board and we now await their decision.

The plant designed for the manufacture of a high quality facing brick from blast furnace slag is now being erected, and will soon go into production. Provision has been made to extend the capacity if market conditions warrant it. We are confident that there will be a good demand for these bricks as they have passed the most rigorous tests of the Building Research Station.

FUTURE PROSPECTS

The future is difficult to forecast with any certainty. We have quite a full order book, and, generally speaking, we anticipate a continuance of the present demand. It must, however, be recognised that steel is now being produced in many countries which previously depended upon imports from other countries for their requirements. At the same time, with the great expansion in the production of oil, the demand for steel remains at a high level, not only for tankers to carry the oil by sea, but for overland pipe lines and for storage tanks. The general trend of building wagons of steel instead of wood has likewise increased the demand for steel.

We manufacture many products and we are well equipped to meet the demands of a variety of industries. The demand for our stainless clad steel Colclad is steadily growing. We confess to some disappointment at the lack of interest in this country in Coltuf—the high tensile steel specially developed for welded construction and which is free from the brittleness at ordinary temperatures that has been in recent years a matter of such concern to engineers and shipbuilders. We have exported thousands of tons of Coltuf to foreign shipbuilding yards, who have used it to great advantage, and so far we find our greatest market for this improved quality in other countries.

EMPLOYEES AND STAFF

It is satisfactory to record the excellent work being done by the welfare committees at the works. The directors are pleased to co-operate with them in contributing to the cost of the various welfare schemes.

During the year, agreements for extended holidays and a reduced working week in certain departments have come into force. These have required the employment of additional men, and the necessary period of training has not been without its difficulties. However, I am glad to say our relationship with labour has continued satisfactory, and we realise the value of their co-operation.

To the managers and the staff, for whom we know the year has not been an easy one, we record our appreciation and cordial thanks.

The report and accounts were adopted and the proposed final dividend of 9 per cent on the ordinary stock, making a total of 13 per cent for the year, was approved.

The retiring directors, Lord Bilsland, MC, DL, LLD, and Mr T. R. Craig, OBE, TD, were re-elected.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The annual general meeting for the year 1954 of the stockholders of Barclays Bank Limited was held on February 10th at the Head Office of the Bank, 54 Lombard Street, London, E.C.3.

Mr A. W. Tuke (the chairman) presided.

Mr H. G. Tickle (the secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present, the report and accounts were taken as read.

On the motion of the chairman, seconded by Sir F. Cecil Ellerton (deputy chairman), the report of the directors of the company, together with the accounts annexed as at December 31, 1953, duly audited, were received, approved and adopted.

Mr Theodore David Barclay; Mr David Martyn Evans Bevan; Sir Matthew Watt Drysdale; Mr Thomas Calderwood Dundas, MBE; Lieut-Colonel The Lord Dudley Gladstone Gordon, DSO; Mr Quintin Edward Gurney; Mr Adam Denzil Marris, CMG; Mr Roger Henry Parker, MC; and Mr Anthony William Tuke, retiring directors, were re-elected directors of the company, and other ordinary business was transacted.

A vote of thanks to the staff, and a vote of thanks to the chairman, for presiding at the meeting, were unanimously accorded, and the proceedings terminated.

NATIONAL MORTGAGE & AGENCY COMPANY OF NEW ZEALAND

SATISFACTORY TRADING

The seventy-eighth annual general meeting of this company was held on February 9th in London, the Rt Hon Lord Glenconner, chairman, presiding.

The following is an extract from his circulated review of the year to September 30, 1953:

For the first time in a number of years the wool market remained at a comparatively steady level throughout the 1952-53 season and at approximately 15 per cent above the previous year's average.

Killings of meat for export over the past year are approximately 5 per cent below the previous year's figure. Exports for the past five years have been fairly stable, around 350,000 tons, with the exception of 1950-51. Production of dairy produce has been buoyant.

The general trading side of our company's business has again had a satisfactory year and turnover has been well maintained.

There is a substantial rise in the cash and bank deposits from £507,089 at September 30, 1952, to the present figure of £1,341,792. Loans on mortgage and secured accounts show a reduction owing to the good season our farmer clients enjoyed last year.

Our trading profit shows an increase of £13,211, which is considered satisfactory. After payment of tax the net profit comes out at £107,682. A final dividend of 5½ per cent, making 9 per cent free of tax for the year, is recommended. The report was adopted.

THE LAW DEBENTURE CORPORATION

RECORD INVESTMENT INCOME

The sixty-fourth annual general meeting of The Law Debenture Corporation, Limited, will be held on March 5th in London.

The following is an extract from the circulated statement of the chairman, Mr Robert R. J. Turner, OBE.

For the first time in the history of the Corporation, our income from investments has exceeded £100,000, and shows an increase of over £11,000 gross as compared with 1952. Part of this increase is accounted for by the investment of the cash received from the issue at the beginning of 1953 of £50,000 Second Debentures, but in the main it is due to a satisfactory improvement in the dividends and interest received from the rest of our investments.

Our income from the two items of "Commissions and Fees," and "Fees as Trustees and Registrars," shows an increase of nearly £1,500, while the net profit on realisation of securities shows an increase of approximately £15,700. The latter is largely due to our holding in Central Wagon (Holding) Company having been exchanged for cash and shares in Central Wagon Company, Limited, which produced a substantial profit over book value.

STAFF PENSION SCHEME

We have taken the opportunity to use a considerable part of this profit for the purpose of putting our house in order with regard to pensions. Hitherto, these have been paid out of the Corporation's annual profits, but our staff are now members of a non-contributory pension scheme which has been arranged with one of the leading life offices. The annual cost of this scheme, as shown in the profit and loss account, is at present approximately £2,300. We have also bought annuities for two former members of our staff, who were previously in receipt of pensions, at a cost of £8,419. The whole of this non-recurring sum has also been charged to profit and loss account for the year. The net result of the year's working has enabled us to place a further £10,000 to general reserve and to recommend a final dividend for the year of 9 per cent, making, with the interim dividend of 6 per cent, a total of 15 per cent for the year, against 14 per cent for the previous year. The carry-forward is raised by £3,904 to £19,796.

The balance sheet reflects the placing of £50,000 5 per cent Second Debentures repayable between 1968-78 which has been mentioned above. A policy of keeping funds more fully invested was followed by the Board during the latter part of the year, which has absorbed a large proportion of our liquid funds.

BOARD'S INVESTMENT POLICY

Investments show an appreciation of 19 per cent over book value as at December 31, 1953, which represents an improvement of 10 per cent compared with the previous year. As stated in the directors' report investments are divided as to Bonds and Debentures 20 per cent, Preference stocks and shares 27 per cent, Ordinary stocks and shares 53 per cent, reflecting the continuation of the policy of the past three years to increase our holdings of equities. This appreciation may be regarded as satisfactory bearing in mind that we still have 47 per cent of our funds in fixed-interest securities. As a result of a conservative estimate of interest and dividends for the current year, we hope to maintain the 1953 total.

F. W. WOOLWORTH AND COMPANY, LIMITED

INCREASED PROFIT AND DIVIDEND

MR S. V. SWASH ON TAXATION

The forty-fifth annual general meeting of F. W. Woolworth and Company, Limited, will be held on March 5th in London.

The following are extracts from the statement of the chairman, Mr S. V. Swash, which has been circulated with the report and accounts:

I have pleasure in presenting the report of the directors and the accounts for 1953, a year of good trading in which your company made substantial progress. The profit after taxation at £6,787,123 is £1,017,051 higher than last year. There was an over-provision for taxation in the previous year of £494,191, due mainly to the reduction of the income tax rate from 9s. 6d. to 9s. in the pound, so with the balance brought forward from the last account of £2,557,157, there was a total of £9,838,471 for disposal.

It is considered desirable to strengthen the reserves and the transfer to general reserve of £1,250,000 brings that reserve to £5 million. The final dividend of 2s. makes a total of 3s. per unit for the year compared with that of 2s. 9d. for the previous year. This final dividend absorbs £3,300,000 and there is a balance carried forward of £3,073,471, an increase of £516,314.

STOCK ON HAND

The balance sheet as at December 31, 1953, follows the pattern of recent years and most of the items are strengthened as a result of the company's favourable experience during the past year. The stock on hand at £11,210,250 is but little variation from the figure a year ago, and your board is satisfied that it is well assorted and represents good clean stock that should in due course be turned into money over the counters of the stores.

We always like stock on hand at the end of December to be rather on the light side provided there is no indication of the price of goods rising; because after the big Christmas trade and the stocktaking period the assortment is always depleted and it is necessary to spend big sums to complete the range of merchandise in the stores. If there were not a little "slack" in the stock figure inventoried, the investment after this restocking would be too high, and the new year would be handicapped with overstocks and consequent risk of undue loss before they were liquidated.

Merchandising the stores in the endeavour to maintain the best possible variety on sale without over-heavy investment is one of the duties calling for great alertness on the part of the individual branch managers and constant training in the proper ordering of goods is a vital part of the experience of young men learning the business.

Your board is constantly watching the recruitment and training of these young men and I am glad to say that we have in adequate number, as far as can be foreseen, good men in training for store management who can take up opportunities as they arise.

TAXATION

Item 15 on the profit and loss account shows: (a) income tax £8,618,831, (b) profits tax £1,391,000, (c) excess profits levy, £2,180,000, a total of £12,189,831.

This is a very big figure and makes the Treasury much the greatest beneficiary from the enterprise and very hard work put into the business. About 65 per cent of the profits goes to the Exchequer this year, and the

present level of taxation is undoubtedly penal. One can but hope that now excess profits levy is ended, Government spending can be cut so that the levy is not merely replaced by another tax. Your company has certainly been a massive contributor to the proceeds of EPL during its short but devouring lifetime.

The present level of taxation on the individual, too, is a very real threat to the development of enterprise and initiative and one cannot contemplate without intense worry the effect of long years of its continuance on the future of a nation that must live by trade.

TRADING PROFIT

The trading profit showed a very fine expansion in the past year and more and more millions of transactions were carried through by our customers in all the stores. It is the aim of your board to make the stores ever more popular by offering an interesting and varied selection of merchandise at a highly competitive price.

The gradual easing of controls and the return of free trading in various commodities has widened the choice before the customers and sharpened competition. Many hundreds of items were cheaper owing to the Purchase Tax changes and prices of goods not affected by Purchase Tax were on the whole very steady. I estimate that the reduction by about one halfpenny of the selling price of every piece of merchandise we sold would about have wiped out the whole of the trading profit and left us nursing a loss. It has always been known that your business wins out on the immense number of transactions carried out at a small monetary margin of profit and the old saying of "small profits—quick returns" is illumined by the illustration I have given.

I should like once again to call attention to the good service we have had from our manufacturers and suppliers. Their co-operation has been a feature of the year just completed and they work constantly with our buyers in the attempt to interpret the public taste and produce merchandise in tune with and ahead of the demands of the customers.

In order to produce the quantities needed to fill the wants of our customers, work often has to start, particularly on seasonal lines, almost a year ahead of the time when the goods are going to be on sale in the stores.

STAFF

This statement on last year's work would indeed be incomplete without an expression of appreciation of the work of the staff in the offices and stores. In any undertaking, loyal and experienced staff are the key workers who provide continuity of operation, who tide over sudden emergencies and who instinctively put out the effort needed to cope with the tests and trials of everyday work.

It is not wise to prophesy far ahead in our modern times and your company results will of course depend on conditions in the country and the spending power of the public. Meanwhile, the organisation is in good fettle, alterations and improvements in the stores are carried out as far as building licences allow, and the buyers have put on the counters a range of merchandise in which they are entitled to take real pride. Your board feels that at the present time the stores have the confidence of the shopping public, and will put forward every effort to justify, sustain and strengthen that confidence.

LIEBIG'S EXTRACT OF MEAT COMPANY

SALES OF OXO PRODUCTS MAINTAINED

The eighty-ninth annual general meeting of Liebig's Extract of Meat Company, Limited, will be held on March 4th at Thames House, Queen Street Place, London, E.C.

The following is an extract from the statement by Mr Kenneth M. Carlisle, chairman and managing director, which has been circulated with the report and accounts:

Profits, less losses on trading, rents, etc., are up by £488,000. Last year's fall in the profits of Oxo Limited was more than made good in the year under review and a marked improvement was shown in the results of our French and Belgian subsidiaries and of Tanganyika Packers, Limited.

Profits earned by Liebig's (Rhodesia), Limited, in the year ended December 31, 1952, showed a decline as compared with the excellent results obtained in the previous year.

The profit brought into the accounts of the parent company amounts to £288,003, as compared with £265,162 for the previous year. In recommending an increase in the ordinary dividend of 1s. per £5 unit, tax free, making 10s. for the year, your directors have been influenced by the favourable results shown and, at the same time, have wished to pass on to stockholders the benefit of the reduction, from 9s. 6d. to 9s. in the rate of United Kingdom income tax. Although it is hoped that it will be possible to maintain the annual rate of dividend at 10s. assessment of the prospects for the current and future years is a hazardous business.

The reported ending of the Ministry of Food's rationing activities will be a step which we shall warmly welcome, but the change may not be without losses and difficulties in the early stages. The abandonment, after 14 years, of the Ministry's policies and practices, together with renewed competition to sell the wider selection of meats and meat products available, cannot fail to have their effect on market prices and some considerable time may elapse before normal market conditions are reached. Also to be borne constantly in mind are the considerable requirements of the group for capital commitments, towards meeting which substantial sums have been put to reserve in the period since the end of the war and for which further allocations will be required.

OXO LIMITED

Sales of our major products have been fairly well maintained during the past year, which in present circumstances must be regarded as satisfactory in view of the general restriction of trade due to the desire of all traders to keep stocks down to a minimum.

During the year the Ministry of Food released to the trade a considerable quantity from their stock of corned beef, and, despite the relatively high price fixed by the Ministry, it found a ready sale. The Ministry of Food continue to be the sole importers of corned beef, but it is hoped that the bulk purchases to be made by them during the next few months will be their last, and that thereafter the corned beef business will be handed back to private traders.

After a detailed review of the group's world-wide activities, the chairman, referring to the European interests, concluded: "Competition in the food industry is becoming more severe, but our companies are well equipped with modern plant and active managements to face the future."

WEYBURN ENGINEERING COMPANY, LIMITED

RECORD RESULTS

The eighteenth annual general meeting of this company was held on February 6th at Elstead, Surrey, Mr Hamilton Gordon, chairman and managing director, presiding.

The following are extracts from his circulated statement:

The year ended October 31, 1953, has been the best the company has yet had, and

these results have not been obtained by any increase in the margin of profits but by improved methods and the efforts of all coupled with increased output.

The profit for the year, before taxation, is £181,495, an increase of £28,112. Taxation again takes an enormous toll, reducing this record profit to only £56,094 for building up the business and for distribution to the shareholders.

The directors recommend a final dividend of 25 per cent, plus a special Coronation bonus of 5 per cent (which will absorb £2,887), both less income tax. A Coronation bonus has been distributed to the staff and workpeople costing £2,549.

Our record profits are somewhat illusory when we consider the proportion paid out to the Inland Revenue. I hope that in any negotiations concerning wages in our industry both sides will approach the problem with a sense of moderation. The only safe way to earn more is to produce more.

The present flow of work is satisfactory, but there are indications that a slacker period might develop towards the end of 1954. Foreign competition is stronger, and the sellers' market at home is disappearing. I hope, however, to place satisfactory results before you next year.

The report was adopted.

UNIVERSITY OF NEW ENGLAND, ARMIDALE, NEW SOUTH WALES, AUSTRALIA

Applications are invited from suitably qualified persons for appointment to Professorships in:

1. MATHEMATICS.
2. PHYSICS.
3. CHEMISTRY.
4. BOTANY or ZOOLOGY.
5. GEOGRAPHY or GEOLOGY.
6. ENGLISH.
7. PHILOSOPHY or CLASSICS.
8. FRENCH or GERMAN.
9. and two out of—
10. HISTORY, ECONOMICS, PSYCHOLOGY.

Where alternatives are indicated, selection will be made strictly in accordance with the merits of the applicants.

The University reserves the right to fill any appointment by invitation.

Salary will be at the rate of £2,000 per annum, plus cost-of-living adjustment, which is at present £A252 per annum.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is April 12, 1954.

MARKET RESEARCH

A vacancy occurs in London for a qualified and experienced Market and Media Research Executive. The position offers an excellent opportunity to one who may already be engaged in similar work and is seeking wider opportunities for his abilities. The applicant should not be over 35 and have experience in planning, controlling National Surveys and in the preparation of subsequent reports and recommendations.—Write, giving age, experience, and other particulars, together with salary required, to Box 450.

ASSISTANT Cost Accountant required for Electronic Engineering Division of expanding Toronto Factory. Accounting qualification essential. Age 25-35. Preferably, but not necessarily, single. Experience in Costing in Electrical or Mechanical Engineering. Practical knowledge of Budgetary Control an advantage. Applicant should be those who intend to emigrate and who are willing to pay part cost of travelling. Interview will be in the London area, and a probationary/training period will be served for 1-3 months in an associated factory in Great Britain. Commencing salary approximately \$4,000 with possibility of rising to \$6,000 in a relatively short period. Commencing salary for engagement in Great Britain £900 per annum. Write giving age and full details of education, qualifications and previous experience to Box 451.

LONG established Midlands firm pioneering light engineering products of the highest precision is strengthening its commercial side and seeks a first-class man. An engineering background is desirable and applicant who should be in the thirties, must have had practical postwar commercial experience. The post calls for resource and imagination in organising for selling a group of high quality precision industrial instruments and machine tools on a world wide basis. The post, which might include directorship, carries a commencing salary of not less than £1,500 a year.—Apply Box 455.

CIVIL SERVICE STAFF ASSOCIATION has a vacancy for a research officer to be responsible for the collection and analysis of information required in negotiations on a wide range of conditions of service. Candidates must possess drafting ability and a knowledge of economics and statistics. An interest in the trade union movement is essential and experience in the Civil Service would be an advantage. The successful applicant will also act as Press Officer.

Subject to the satisfactory completion of one year's probation the appointment will be permanent and pensionable (non-contributory). Starting pay according to experience and qualifications within a scale of £610 x £30—£730 x £35—£870 x £30—£900.

Applications to the General Secretary, Society of Civil Servants, Palace Chambers, Bridge Street, S.W.1.

A LEADING MERCHANT HOUSE in Malaya offers an attractive appointment to experienced executive, aged 35-40, with successful commercial engineering background, to take charge of all their engineering activities involving the sale, installation and servicing of a wide range of engineering plant and equipment and the representation of many important U.K. manufacturers. This senior post involves control of technical staff and direct responsibility to the Board for the success of a major department. Total remuneration would be not less than £4,000 per annum.—Write, giving full details, to Box W.179, Haddons, Salisbury Square, London, E.C.4.

REQUIRED for responsible work which may involve travelling, theory and experience of time-series analysis. Salary according to qualifications.—Reply, stating training, experience and giving references, to Box 426.

EDITORIAL ASSISTANT (man or woman) required by professional Institution. Qualifications in Chemistry, or Engineering, or previous editorial experience essential.—Box 454.

GOVERNMENT OF SOUTHERN RHODESIA FOUR AND A HALF PER CENT INSCRIBED STOCK, 1953-58

CITY OF JOHANNESBURG THREE AND A HALF PER CENT REDEEMABLE STOCK, 1959-60.

Notice is hereby given that in order to prepare the Warrants for Interest due April 1, 1954, the Balances of the several Accounts in the above-mentioned Stocks will be struck on the night of March 1st, and that on and after March 2nd the Stocks will be transferable ex dividend.

For **BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)** (London Registrars for the above Stocks)
Circus Place, London W.1, E.C.2. G. A. D. HARRISON, Manager.
February 8, 1954.

UNIVERSITY OF MELBOURNE, AUSTRALIA

Applications are invited for the position of Sidney Myer Professor of Commerce.

The salary will be £A2,500 per annum, with superannuation similar to F.S.S.U.

Applicants should have a specialised knowledge of some branch of Applied Economics, preferably International Trade, Agricultural Economics or the Development of Natural Resources.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is May 14, 1954.

MONSANTO Chemicals Limited invite applications for the appointment of a Rubber Technologist, in the sales division, as a Representative. The applicant must be prepared to travel in the U.K. and abroad and should hold scientific qualifications of university degree or comparable standard. He should possess extensive experience in the manufacture of rubber and thermoplastic compounds or in the technology of compounding ingredients for the rubber industry. The applicant should have full appreciation of the relative value of the commercial and technical aspects of the position. Although scientific qualifications are important, the qualities of initiative, self-confidence and ability to accept responsibility implicit in any salesman will be equally taken into account when making the appointment. Applications giving full particulars of age, training and experience, should be sent in writing to the Chief Personnel Officer, Monsanto Chemicals, Limited, 8 Waterloo Place, London, S.W.1.

SALES DIRECTOR. A prominent group of companies manufacturing electrical equipment wishes to appoint a Sales Director. This position calls for considerable experience in sales promotion and administration in relation to both Home and Overseas territories. In addition to the direction and supervision of the activities of the independent sales organisations of the companies in the group, he will be required to explore and develop new markets, particularly overseas. Applicants, who must be qualified electrical engineers, must have held a similar senior appointment in the electrical industry. The commencing salary will be not less than £2,500 per annum.—Applications which will be treated in strict confidence, and which should state present salary, should be forwarded to Box 2J C.4832 A.K. Adv., 212a Shaftesbury Avenue, London, W.C.2.

CHARTERED ACCOUNTANTS, wishing to widen their experience in Management Accountancy, are invited to apply for an appointment with a well-known industrial company. Applicants, aged 28 to 33 years, holding a University Degree, will be given preference, and industrial experience would be an important additional qualification. The prospects are outstanding, and a commencing salary up to £1,500 is offered.—Please send replies, giving full details of qualifications, etc., in confidence, to Box 462.

SWISS EXECUTIVE seeks post as European representative for British firm. Wide business and commercial experience. Speaks and writes English, French, German and Italian. Would be prepared to travel any country in Europe, Near and Far East.—Apply to Box 461.

EXECUTIVE: Management and Sales experience, Home and Overseas Marketing, Sales research, in Automotive, Aircraft and Engineering Trades with considerable administrative and sales ability, genuine drive and real initiative, young (37), successful experience reorganising indifferent or unprofitable businesses, requires appointment.—Write Box 456.

LEADING MANUFACTURING COMPANY requires men trained in Works Study and/or Time Study and/or O.M. Investigations. Age preferably 22-35 years. Position offers work of a varied and interesting nature, and opportunities for advancement. Permanent employment with contributory pension scheme.—Write, giving full details of education, training and experience, to Box 458.

LEADING STOCKBROKERS require Senior Statistician with Investment Department experience.—Write, stating age, experience, salary required, etc., to Box "C.R." c/o J. W. Vickers and Co., Ltd., 7-8 Great Winchester Street, London, E.C.2.

REQUIRED TO PURCHASE, or acquire controlling interest in, small Electric Motor or similar manufacturing business, range up to 10 h.p., or a company having suitable facilities for same.—Box 457.

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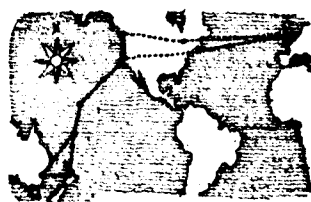
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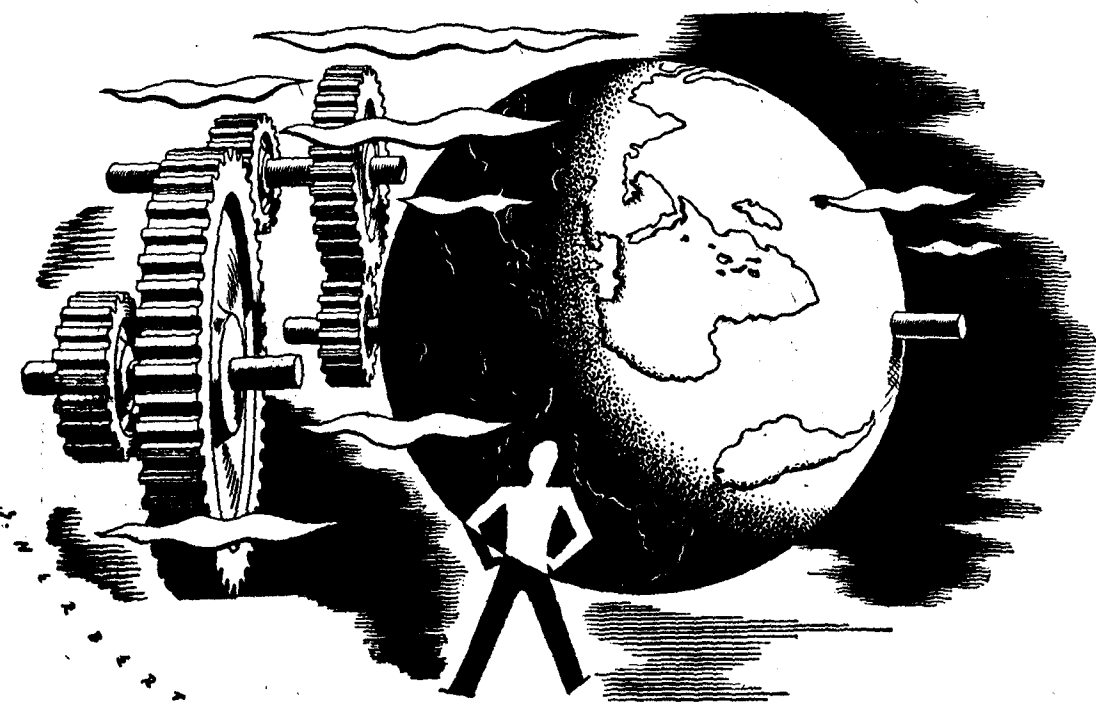


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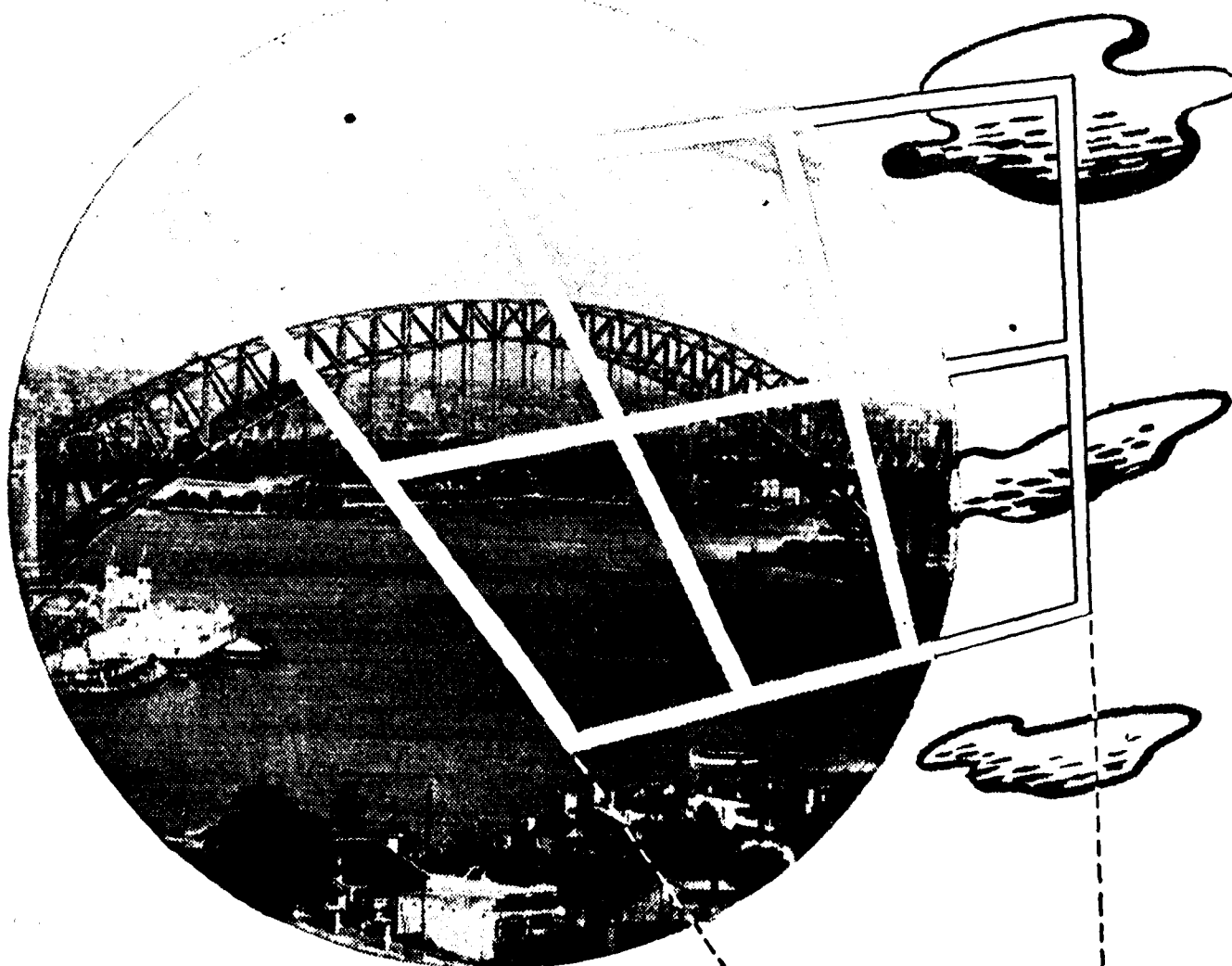
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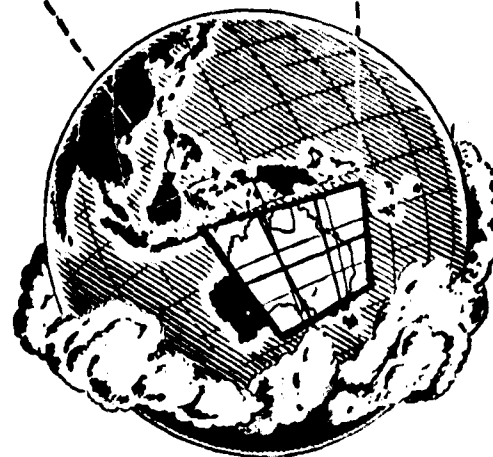
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Success of a Failure

IF Mr Molotov were foreign minister of a normal country, he would be spending an anxious weekend. Having addressed the cabinet on his return from the Berlin Conference, he would be recalling the way they raised their eyebrows when he explained how he had failed either to agree with his western opposite numbers or to set them at loggerheads. There might cross his mind the thought of retirement, and of the book he would write, arguing that his instructions had made negotiation impossible. He would show that he had started well by out-manceuvring the British and the rest: the conference was held at the place and on the date of his choice, and the agenda was his. He had warned everyone beforehand in Notes of what he was going to say, but everyone had persisted in thinking that he had something new or something extra to say. Then everything went wrong. He was expected to produce a rabbit from his hat; indeed, the British had hoped to tempt it out with the fresh titbit of a security plan. But Mr Molotov had been given no rabbit and so was not interested.

The Soviet Union, unfortunately, is not a normal country. Mr Molotov is probably spending a quite comfortable week-end. From the army and air marshals there will be congratulations on holding fast to the forward bases in Austria and Germany; from the propaganda chiefs humble thanks for re-varnishing their picture of a doomed capitalist world preparing aggression against the home of Socialism; and from Professor Varga, wearing his new Order of Lenin, the assurance that the Foreign Minister is right to go on waiting for the slump that will bring the West to its knees. Mr Molotov will claim in public that he has reduced world tension and in private that Stalin himself could not have given less away.

The curious thing is that the western foreign ministers will expect, and probably receive, similar congratulations. They have kept their solidarity unbroken; they have defended the Germans' right to choose the Government of a united country by free elections; and they have forced Mr Molotov to show his hand. It will be explained that the meeting did not break down, but ended last Thursday by agreement; that relations never really became tense; and that only those who had unreasonable hopes can reasonably say they are disappointed. Like Mr Molotov, they will claim success.

In one very important sense they are right. The air has been cleared of fog. The issues between the Communist and the Atlantic groups stand out more clearly than before for ordinary people to see. The month in Berlin was a revealing and salutary exercise in what the Kremlin means by "relaxation of tension." Extravagant charges were made against the Americans and their allies; preposterous plans were tabled for spreading a Russian umbrella over Europe; the half-a-dozen important concessions offered by Mr Eden and his colleagues were treated with contempt. Yet there was no sabre-rattling, no exchange of threats, and no serious loss of temper. They made in private only slightly more progress than they made in public. What

was divided between them when they met—Europe, Korea, Germany and Austria—remains divided now they have parted.

In another sense, too, the conference must be seen as having produced success out of failure. Imagine that Mr Molotov had been more reasonable, more flexible on two matters: China's claims to join the Big Four and Mr Eden's plan for German unity. Imagine M. Bidault being led by Mr Molotov to believe that if France would give up the European Defence Community and support China's claims, then Chinese aid to the Viet-minh in Indo-China would stop. Imagine Mr Eden being led to believe that the Russians would accept the plan for free elections throughout Germany if changes were made in it here and there. (Any change of substance would in fact have wrecked the plan.) The western ministers would now be looking forward to indefinite haggling in committees; there would be no assurance that at the end of it all there would be a truce in Indo-China or a representative government for a united Germany. The chances of creating the European Defence Community, uniting Western Europe and adjusting the balance of power on the Continent would be fast slipping away. Mr Dulles would be feeling the first pangs of reappraisal; Mr Eden would be hearing in the House of Commons the first voices in favour of a neutralised Germany; and M. Bidault would be facing crisis and disarray in Paris.

To achieve this Mr Molotov needed to change only his tactics, not his objectives. And it is a mystery why he did not do this. He may, of course, do it yet. The Berlin conference may yet be seen as the prelude to other conferences or negotiation behind the scenes; and Mr Molotov must be expected to play with patience and skill such cards as offers to trade, proposals for banning atomic weapons, and minor concessions to all kinds of foreign organisations and persons. Having failed to divide the western ministers in public, he will go on trying to divide them in secret.

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The lesson for the West could be salutary if it is clearly stated and firmly held in mind. It is that the Russians have no real need to offer concessions in Europe so long as the plans for harnessing Western Germany with its neighbours and Nato hang fire. They never make the western mistake of stating the price they will pay before bargaining begins. They will accept from the great powers no guarantees of their security which imply the retention of American forces and bases on and around the Continent. They refuse to give up their own forward bases in Eastern Germany and Austria. They insist on a way of unifying Germany which would provide elections only after a provisional government had been appointed, after a peace treaty had been imposed, and after an

electoral law had been passed weighting elections in favour of the Communists.

These facts, if clearly and persistently explained, should have a profound effect in France; many Frenchmen hoped for Soviet concessions on Germany that would spare them a decision—a really agonising decision—about the EDC. They have been bitterly disappointed; and M. Bidault can return to his own country as a prophet with honour. Even more disappointing for them, if that is possible, was the lack of any hint of a new way to peace in Indo-China. Likewise, for many Germans the result of the conference is a shock, if not a surprise. For every German who supported Dr Adenauer's policy of western integration first and German unity afterwards, there was another German who hoped that somehow the order of events might be reversed. Mr Molotov has rendered the great service of making untenable the arguments of those Social Democrats who claimed that Dr Adenauer's devotion to EDC was the one obstacle to German unity. For the Russians have refused not only the EDC but free elections as well. Here, too, Soviet intransigence has produced benefits for the West.

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There remains, however, among the items on the debit side, one poignant and dangerous fact. The results of the Berlin meeting offer not a gleam of hope to those behind the iron curtain, 18 million of them Germans. Whatever it may do to consolidate Western Europe, it has done nothing for the liberation of Eastern Germany. The *fait accompli* of a Communist-controlled military and economic bloc in Eastern Europe remains as it has been for the last five years. And Mr Molotov made it clear in Berlin that even withdrawal of American and British forces from Western Germany—and Austria—to their home bases would not be matched by withdrawal of Russian forces behind the frontiers of the Soviet Union. That is, perhaps, the only ultimate peaceful means by which German unity, Austrian independence and a measure of freedom for Eastern Europe can all be attained. But it can be made possible only by years of steady effort to make Western Europe strong enough, within the Atlantic community, to live in independence and safety.

To persist in thinking, as Sir Winston Churchill suggested last May, that there is a short cut to agreement, is to look at Soviet policy in blinkers. The United States, Britain and France have to convince the Kremlin that they can and will organise security in Central Europe, and that they have a plan to which they will stick. Nothing less than a long-term plan, with a full declaration of their intentions, will carry that conviction. But it means that France must come to terms with the Federal Republic, that Mr Dulles must put off his reappraisal, and that America and Britain must fully underwrite the risks of rearming Germany. Then, perhaps, Mr Molotov will one day find something new to say.

Defence on the Defensive

IN the financial year 1954-55 Britain expects to spend almost exactly the same amount on defence as it originally expected to spend in the financial year now drawing to a close. Before allowing for the usual and unnecessary juggle with counterpart funds, the total defence estimate for 1954-55 is just under £1,640 million, compared with an original estimate of just under £1,637 million for 1953-54. There are a few complications to mar the simplicity of this comparison. The chief one is that expenditure on defence in the current financial year is clearly not coming up to estimate; in particular the new fighter aircraft do not seem to have been brought along as swiftly as had been hoped. If expenditure in 1954-55 does come up to estimate, it will therefore be rather bigger than actual expenditure in 1953-54.

But it is not clear that this is a factor that will need to weigh very heavily in Mr Butler's budget calculations. The broad budgetary conclusion to be drawn from the defence estimates, indeed, is that the major part of any further increase in production in 1954-55 can be used for an increase in domestic consumption or investment, and for fortification of the balance of payments; comparatively little of any such potential increase will have to be siphoned off to dismay the Queen's enemies and the country's taxpayers. This does not mean that the budget can be a kindly one. There seem to be at least five barriers in Mr Butler's way. First, the scope for another increase in production is probably small, now that the country's resources are again fully employed. Secondly, since wages have recently risen faster than prices, the Chancellor may feel that consumption is likely to increase under its own steam in 1954, even if there are no tax concessions. Thirdly, the Government is committed to lift the spending power of farmers far above the value of their real contribution to national production. Fourthly, the measures taken (and rightly taken) to increase investment last year are only just beginning to wreak their full effect. Fifthly, the balance of payments may need fortifying if—as is quite likely—the terms of trade turn more sour. For these five reasons, if Mr Butler were drawing up his budget now, it could hardly be a sunny one.

It is obvious, given this rather unpropitious budget outlook, that the close correspondence between next year's defence estimates and this year's is no accident. The defence departments have clearly been told that they can have about as much money as they asked for a year ago, and must make the best of it. In Britain, as in America and the rest of the free world, the defence programme has therefore become an expensive pensioner, and is likely to remain one for some time to come. It is no longer, as in the years of mounting danger, a mounting element in budgetary costs; nor yet, as in the years that the ostriches have

eaten, a residuary legatee. But in this very fact there lies a need for even closer public scrutiny of the form of the defence estimates than ever before. For the planning of Britain's defence programme has now become a most complicated business; and it is important that the public should understand the nature of these complications, and the temptations for error in official policy that arise from them.

The complications are the consequence of fundamental changes in defence strategy. In the first place, the authorities now have a clearer idea of the sort of war that Britain might be called upon to fight. They believe it would be a war with a blinding first act of atomic fury on both sides; but that, in the words of the White Paper, "If no decisive result were achieved in this opening phase, hostilities would decline in intensity, though perhaps less so at sea than elsewhere, and a period of broken-back warfare would follow, during which both sides would seek to recover their strength, carrying on the struggle in the meantime as best they could." Secondly, however, nobody has any idea when this peculiarly frightful sort of war might break out. As Lord Alexander told the Constitutional Club three weeks ago—and as everybody except Labour politicians who are not members of the Constitutional Club knew long before—the object of defence strategy is no longer to lay down a particular date by which Britain "must be ready for hostilities down to the last button." Instead the object is to make a steady, calculated build-up of military strength, so that if war should break out at any time in the next twenty years, Britain will be able to spring swiftly to the arms that would be needed to fight that war—and not merely be in possession of weapons to fight the war that did not break out five years earlier, or in the process of shuffling slowly towards the newer weapons that would have been needed to fight the war that some bad guesser had expected to break out five years later. The new White Paper on defence is shot through and through with recognition of this dilemma.

But recognition of the dilemma does not imply recognition of the answer to it. The danger is frankly that, while the back-room planners are busy working out the strategy of the new look, the authorities that really matter may succumb to the temptation, in this period of uncertainty, merely to pass round the money among the different claimants in very much the same proportions as they have been allowed to enjoy in the past; and then to leave each claimant to decide how he will spend that money in the new circumstances now emerging. There are two reasons for fearing—the layman can, of course, never be sure—that this may have happened in the estimates for 1954-55. In the first place, not only is the total defence estimate remarkably similar to the estimate for 1953-54; the different components

are suspiciously similar, too. Among the different departments, the Ministry of Supply is to be voted £27 million more than its estimate for 1953-54, but this is almost wholly because of increased demands for common Nato infrastructure (that is, the construction of airfields and other military works in Western Europe) to which Britain was already committed; to make up for this, the War Office is to get £20 million less than this year and the Air Ministry £11 million less. Among the different items of expenditure (apart from a cut in works) most of the major items are within 2 or 3 per cent of the current year's estimate.

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The second reason for uneasiness is that, in its survey of the probable future programmes, the White Paper contains more than a hint that proposals to amend the pet plans of any of the services have not been able to survive the clash of their rivalries. First, although it is recognised that the atomic bomb and the United States's strategic air power to use it is the "primary deterrent" to war, the White Paper explains rather huffily that on past experience and current knowledge, Britain has a significant contribution to make in this field; and the RAF is therefore to press forward with its plans for building up a strategic bombing force as soon as possible. This may well be the right decision, but the impression remains that, even if inter-service research had shown it to be the wrong decision, the air force's sensitivity on this matter would have been taken as an excuse for leaving bad alone.

Having ascribed this primary role in Western Europe to the RAF, however, the White Paper then hastily explains that the "navy has its worldwide commitments"; the programme of building modern aircraft carriers is to continue, and it is therefore considered unlikely that expenditure on the navy can be reduced below its present level. The army is, indeed, expected

to fall gradually below its present strength in the next few years, but this may be little more than a forced recognition of its major manpower problem. Regulars can usually opt out into civil life every three years and it is known that those technicians with qualifications especially suited to a fully employed industrial economy are doing so in large numbers; but the only remedial measure mentioned in the White Paper are that inducements to persuade them to prolong their service will be continued in 1954. It seems clear that these inducements should be strengthened, instead of merely continued; but, with a stable defence vote, this would involve diverting money from other sections of service activities, and the vested interests in charge of each of those activities can always plead that at this period of uncertainty they are the last people whose votes should be cut down.

When these estimates are debated, the Government will have to show clearly that it takes the new look in defence strategy seriously. For public opinion in both America and Britain has taken that new look dreamily; it has jumped well ahead of the atomic gun. There is already a widespread belief that the length of national service can soon be cut, on the theory that a dozen men with an atomic gun will soon be able to stand where a thousand men with bayonets stood before. Despite its reference to a slow decline in the strength of the army, the White Paper makes it plain that this view is flagrant nonsense. It is inconceivable that there will soon be enough fissile material to throw about the battle lines at small enemy formations; in the foreseeable future the ground on which West Europeans live will still have to be mainly defended by men, not by split atoms. But if the dreary long haul at the defence programme is to become dramatically alive, the public will have to be convinced that sober planning lies behind it; at the moment a disheartening smell of *amour propre* still pervades the arsenals and admiralties of freedom.

New Broom at the Town Hall?

THE efficiency survey undertaken at Coventry by an Organisation and Methods team from the Treasury is having widespread repercussions throughout the whole field of local government. The Treasury experts put forward proposals which they believed would enable Coventry City Council to save at least £50,000 a year (equal to 10 per cent of the City's present administrative overheads) and to dispense with about 120 of their staff. And there will be a reasonable suspicion that the scope for economy in most local authorities is greater, perhaps much greater, than at Coventry—which voluntarily invited the Treasury to expose the skeletons in its cupboard (and paid for them to do so) because of its interest in improving efficiency.

Unfortunately, however, the Treasury's major proposals seem to be a mistake. They are a mistake because they tend to ignore the fact that the cheapest form of public administration is not necessarily the best; and because they point the way—perhaps unconsciously—to a reversal of traditional conceptions of local democracy.

These conceptions centre around the committee system and the independence accorded to various departments. The first principle of local government, as it has developed in England, is that councillors should exercise a close control over the details of day-to-day administration. They do so through their standing committees; generally there is one standing committee

for each of the principal local services. No matter is too obscure to be placed on a committee's agenda, although in practice a good chief officer can lead his committee by the nose on most matters. The second principle is that the head of each department is, in general and subject to the control of his committee, the master in his own house. The Clerk has come to be recognised as the council's chief officer, but he does not normally concern himself with the policies or with the internal efficiency of the individual departments. Their independence is in turn further reinforced by the strong protective loyalty which a committee usually displays towards the department for which it is responsible.

Apart from one weakness, these conventions work very well. The weakness is that they tend towards a dispersal of responsibility and a lack of co-ordination between the council's various activities. While individual departments may be well run, the total efficiency of the local authority may suffer. The three most important proposals in the Treasury experts' report are all designed to remedy this lack of co-ordination.

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In the first place, the experts call for the establishment of a powerful new committee, which would exercise a general control over the organisation and staffing of all departments. At present the main instrument of internal control is the finance committee, but its authority is often weakened by allowing the chairmen of the principal committees to sit on it *ex officio*. The Treasury experts are flatly opposed to this system; and they believe that by taking over all responsibility for establishment work their new committee would also be able to avoid the suggestion that this function of control "is a negative one tied closely to the cutting of costs." The Treasury, of course, is used to control over establishments in its own domain of central government; but a little reflection suggests that the recipe proposed—a clear separation of administrative and financial functions, with seniority accorded to the committee responsible for the former—is a strange export to come out of Whitehall.

Secondly, the experts want all the standing committees to delegate responsibility more freely to their chief officers. Without doubt, time and money could be saved if it were not necessary to get committee approval for every decision taken and every pound expended. Most committees certainly concern themselves too much with the minutiae of administration and too little with the larger questions of policy; but this is due less to any inherent defects in the system than to the level of interest and understanding of what Jeremy Bentham once called the "lay gents" who sit on them. There can be no cure for this but the education of councillors in the problems of modern administration, a task which most chief officers cheerfully essay; indeed they essay it so cheerfully that they probably do not

want more power devolved upon themselves. The real point of local government would surely be lost if committee men were prevented from expressing a lay point of view (however foolish) on any matter (however small).

The experts' third proposal is the most sweeping of all: it is a proposal that would in effect radically alter the status of the Town Clerk and the work of his department. Instead of acting primarily as secretary and legal adviser to the council, the team proposes that the Clerk should become an efficiency expert responsible for "the effectiveness and economy of all administrative arrangements throughout the Corporation." Instead of achieving a limited amount of co-ordination on particular matters by means of persuasion, the Clerk would be asked "to ensure that administrative activities . . . are effectively co-ordinated." Instead of intervening as little as possible and always by indirect means in the affairs of other departments, he would "bring to the notice of Departments (and, if necessary, Committees) the need for any change." Under these proposals the Clerk (who would take on the additional title of Chief Administrative Officer) would exercise a large measure of control over the staffing and the organisation of the other departments. It is usual at present to give the chief officers considerable latitude in appointing and selecting their own staff, so long as they keep within the fairly flexible upper limits that are periodically settled by the Council. The Treasury officials are opposed to this latitude. They believe that the Clerk's department should exercise a continuous oversight over staffing, that it should recruit centrally all the staff to non-professional grades which are common to more than one department, and that it should investigate and determine all requests for additional staff.

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The eventual object behind these proposals is the creation of a new post in local government which would have little in common with the traditional role of the Town Clerk. The new functions are ascribed to the Clerk as a matter of expediency and economy, but it is emphasised that his post would in future have a "purely administrative nature" and that it would be thrown open to future generations "on the basis of their administrative abilities and not primarily of their professional or technical qualifications." In other words, the Clerk would not need to be a lawyer. To make their intentions on this point quite clear, the Treasury experts argue that the Clerk ought no longer to act as the Council's legal adviser, since this would weaken the office "by the association of unrelated activities." His legal functions would be handed over to a small separate department.

These proposals go almost half-way towards embracing the American idea of the City manager, who takes orders (on matters of policy only) from the Council, but

who has complete authority over the heads of departments. By applying business methods to local government, the manager can usually effect economies. The system achieves especially good results in the management of public utilities, but in the administration of the more personal services it would be likely to hamper the initiative and independence of the chief officers and of their committees—without very much reward. This danger is recognised in local government statutes in this country which confer specific duties on certain of the chief officers, with whose execution nobody (the Clerk included) has a right to interfere. They are statutes that should be retained. Once the case for circumscribing the Clerk's authority over other departments is thus granted, however, the case for divesting him of legal responsibilities and qualifications becomes much less strong. Most clerks are in fact appointed—even under the present system—primarily on their reputation as administrators. But since the activities of local authorities are closely governed by law and convention, it is a convenience that the chief officer should have legal knowledge; and if the Clerk is to get his way (both with his own councillors and with Government departments) mainly by the exercise of tact and diplomacy and of skill in negotiation, a legal training is as

good a training as any other in how to quibble with a smile.

It does not follow that all the proposals in the Treasury report should be dismissed out of hand. Some centralisation of the recruitment and training of local government staff may well be desirable, and the possibilities of establishing an Organisation and Methods service within local government warrant close examination. It is also desirable to have a strong and independent committee watching over the general efficiency of the local authority's work (although, if economy is the aim, a strengthening of the status of the finance committee would seem to be the best way), and to give the Clerk stronger powers to effect such co-ordination as is needed. Some of the larger authorities might also experiment in the appointment of clerks who are not lawyers. Coventry City Council has accepted, in principle, the proposals in the report that can be effected without a drastic change in traditional conventions. But it is understandable that Coventry should be cautious (and other local authorities will be more so) about the wisdom of embarking upon broader experiments. In deed, perhaps one of the happiest consequences of this research experiment is that it should have taught some people at the Treasury what local government is about

As the Romans Did

THIS weekend the Royal Numismatic Society is celebrating the half centenary of its Royal Charter. Numismatists have in recent years steadily integrated the study of old coins with the study of ancient economic history; and in their researches into ancient Rome, in particular, they have dug up some facts that seem to have an odd relevance to the twentieth century. It appears that so long as the Romans were Republicans they believed in sound money; and it was not until they were fooled in this belief that they enjoyed their Augustan age.

The Romans' first coins were all full-blooded value-money—that is to say, their face value was equal to the value of the metals incorporated in them. The silver (with very few lapses), and the gold when it was introduced shortly before the Christian era, remained value-money for centuries. But already during the Republic the weight of the bronze coins diminished far more than any possible changes in the market values of their metals (copper, lead and tin) could have justified. The final reduction, early in the first century B.C., was a bankruptcy measure in a desperate war with Italian "allies"; it was regarded as such an immoral measure that confidence immediately faltered, and the issue of bronze coinage had to be suspended. But tin was now too scarce for large mintages to be made at the full weight again. There seemed only one way out of this dilemma: from that time no bronze coins at all were

issued at Rome, for sixty years. The result of this puritanism, as of financial puritanism in some more modern ages, must have been an unnecessary shortage of a convenient medium of exchange.

This was one of the many problems left to Augustus. Thousands of surviving coins show how ingenious his solution was. Their weight is light; they were undoubtedly token currency; yet the public accepted them. Modern analyses show why. The basic coinages were not made of bronze at all; and, in their early days, they did not look like bronze. The unitary denomination—the basic coin was the "as"—was of almost pure copper. This was a complete novelty for the Roman coinage and it challenged no invidious comparisons. Its deep red colour, much more impressive than the old brown bronze coinage (which was often dingy from an excess of lead), evidently inspired public confidence, for it flourished and multiplied for several centuries. Sixteen centuries before bankers began to create notes and deposits (to the great annoyance of orthodox economists) and twenty centuries before economists began to explain and justify this creation (to the great annoyance of orthodox bankers), the Romans had made one of the major financial discoveries of all time: namely that money need never be honest, although it must always appear to be.

Augustus and his successors seem to have made large profits out of this discovery. Their overheads in pro-

ducing the new coinage were relatively small. In the Aegean area, where Augustus operated large branch mints, the greatest supply-centre of copper—in Cyprus—belonged to himself. And its working cost him nothing, for he leased it to Herod the Great, while demanding that half the proceeds should be handed back to him. Another great mint was in France, where the copper mines conveniently belonged partly to Augustus's wife and partly to an intimate collaborator (so intimate that he was entrusted with the murder of the emperor's grandson). Moreover, imperial troops conveniently stamped out a troublesome *maquis* in this Alpine region shortly before the great western copper coinages started; critics might call this currency imperialism, but then critics always would.

Encouraged by the success of his copper coinage, Augustus turned to brass—or rather to a golden-yellow zinc alloy (made apparently by heating zinc ore with copper). These coins were admirably known as "gold copper," and Cicero even seems to hint at the impressive effect that they might have on simple minds. Augustus boldly issued this brass coinage very light. He did so with impunity. Once again, the best zinc ore came from his own mines in Cyprus; and the copper which most easily took this alloy belonged to his wife. So his brass coinage, like his copper, could be produced inexpensively but issued at a wholly fictitious face-value; the public, dazzled by its aureate colour, did not object.

In this case, however, Augustus was merely following an example set earlier, outside Rome, by another acute business man, Julius Caesar. For Caesar, too, had issued a brass coinage; and he may have issued it not far from zinc-ore quarries in the Bergamo district, where his influence was greater than anywhere else. This and other early brass coinages bear the signatures of families known to have been engaged, during these Civil Wars, in vast and often shady financial operations. Presumably these signatories shared with their overlords, such as Caesar, the profits from this happy choice of new alloy. These were the men who coined money, in both senses of the word, during the period of upheaval. Caesar himself once observed: "Even if, in defence of my position, I had used the services of crooks and thugs, I should have to reward them just the same"—though it is only fair to add that the reputations of the Republican bankers were not all as black as this.

Later on, the emperors continued to farm out the lucrative privilege of token coinage—to reliable provincials, and to municipalities. But the rulers themselves issued the bulk of it, over a great area, though not always continuously, for excessive issues might have undermined its credit. All would have been well if so many emperors, including the saintly Marcus Aurelius, had not tampered with the gold and silver coinages as well. For it was still an article of faith that these should

remain value-money; even modern statesmen who pay only lip service to the principle of honest money hesitate to change the currency price of gold. Yet it was very tempting for emperors slightly to adulterate the silver alloy, to make a series of almost imperceptible deteriorations. And finally, when crisis after crisis made the government desperate for fresh sources of income, caution was abandoned, and the metal-content and even weights (of gold and silver alike) deteriorated sharply and noticeably.

The consequence, in the third century A.D., was a disastrous failure of confidence in the currency. At the cost of untold misery, the whole system lurched to collapse. Emperors ruthlessly insisted that taxes should be paid in bullion or coin of full weight and quality. Yet the coinage which they themselves now issued was worthless. In the course of this catastrophe the use of copper and brass, as alternatives to bronze, was abandoned; and brass has not often been used for coinage since. For nearly 300 years the rulers of Rome enjoyed a good run with their token money. They had never had to worry about the balance of payments with foreign countries or about gold cover. They made money the servant of their government instead of its master; and it is perhaps as well for the world that they did.

The American Tariff

In the late Message of the President of the United States, the removal of the import duties from all raw materials was promised. In the list of these materials, subsequently received, we observe that "linens, bleached or unbleached," and "lastings for making shoes, slippers, boots, etc.," are admitted duty free. . . . It is extraordinary that "linens and lastings for shoes" which are worn only by females, and those chiefly of the middle and upper classes, should be allowed to be imported duty free, whilst "leather," used by the whole mass of the population, from the President to the peasant, is doomed by this new legislation to pay an import duty of 25 per cent—5 per cent more than its present duty. The palpable inconsistency of placing "linens and lastings," which have passed through various processes, and are in truth manufactures, with duty-free raw goods, and placing "leather," which is merely the raw hide after the simple process of tanning, amongst silks and satins, can only be accounted for by the supposition that some class influence has been used to obtain this protection on leather. . . . If the United States were, after the example of England, to remove this duty, the result would be an increased exchange of the goods of both nations. The well-finished and better managed oak bark tannages of England would find their way to Boston and New York, whilst the equally useful, but more unsightly, hemlock-made leather of Baltimore, would obtain more buyers in England. The quality of American leather would soon be improved by the rivalry of our manufacturers, and the relative prices of leather of both countries be more equalised. The character of American boots and shoes would be raised (at present they are very inferior to English), and an important and advantageous branch of commerce would be greatly extended.

The Economist

February 18, 1854

Notes of the Week

Austrian Hopes Dashed

AUSTRIA has been waiting nine years for the occupying powers to fulfil their promise to restore its full independence; it now looks as if it will have to go on waiting indefinitely. The western foreign ministers have the negative satisfaction of knowing that their good faith has been made abundantly clear; but this is no consolation to the Austrian people.

In Berlin, indeed, Mr Eden and his western colleagues, together with Dr Figl, almost fell over backwards in their efforts to leave Mr Molotov no shred of an excuse for not signing the draft Austrian State Treaty. Since the end of 1949 all but five of its 59 articles have been agreed. The remaining five are not of major importance; they deal with such matters as the Austrian government's debt liabilities, its relations with refugees, and the employment of foreign technicians. But for four years the Russians have stalled on them. In Berlin the western ministers thought to corner Mr Molotov by accepting without further ado the Soviet version of all five disputed articles. They went even further. With Dr Figl's consent, they agreed to drop the Austrian request that the extremely onerous economic clauses of the treaty should be revised. Under these clauses Austria is obliged among other things to allow Soviet Russia extensive rights of exploitation in the Austrian oil fields and to pay it the equivalent of \$150 million for former German assets; after years of Soviet exploitation this sum is now far in excess of the real value of these assets.

It is difficult to see what more could have been done. But Mr Molotov is a man who refuses to recognise when he has been cornered. With his proposals for the neutralisation of Austria and the retention of occupation troops (which are summarised on page 548) he erected a new and quite unsurmountable obstacle. It has been plain for some time that an independent Austria would agree to play a neutral role; but no Austrian government could agree to foreign troops staying indefinitely on its soil. Mr Molotov argued that they must stay to prevent an Austro-German *Anschluss*, which the Russians appear genuinely to fear;

but since Article 4 of the draft treaty categorically prohibits any form of Austro-German union, his excuse is hollow. The truth probably is that the Russians are determined not to move their 40,000-45,000 troops out of the Austrian salient in Central Europe so long as Western Germany remains in the western camp.

The Ambitions of China

COMMENTS from Peking and Moscow show extreme disappointment at Mr Molotov's failure in Berlin to bring China into a five-power conference that would discuss the affairs of the whole world. He probably launched this proposal as the first item on the agenda in Berlin for the simple reason that it was, in fact, his prime objective. It was a way round the failure to bring a representative of Mao into the permanent seat on the security council of Uno that is allotted to China. As Mr Molotov said, Communist China's exclusion from Uno "makes it all the more necessary that the five powers should meet." If they did so, to talk about Germany or any other question, as well as Asian conflicts, Mao would have received recognition through the good offices of his ally.

A report on the Berlin proceedings in *Pravda* this week states that Mr Molotov has "stressed that a five-power conference should play the part of an arbitration body in all questions which concern the participants in the Berlin conference and in which arbitration would be useful." If this means that Chou En-lai should appear in a five-power conference on, say, Germany, Mr Molotov and Mao are aiming too high. Mr Dulles at the outset of the Berlin meeting refused to talk with the Chinese on any matters except Korea and Indo-China. And M. Bidault went further by stipulating that, before he would talk about Indo-China, the Chinese must give proof of their peaceful intentions and stop aid to the Vietminh forces.

There will, therefore, have to be a further concession from the Soviet-Chinese side if any five-power meeting is to take place. One point has been conceded by them already: that representatives of other Asian states should take part in the conference on the matters that directly concern them. This was in response to the demand made by Mr Dulles and M. Bidault on behalf of the governments of South Korea and the Associates States of Indo-China. It was not a big concession if it leads the Russians and Chinese to secure their main aim, which is to establish Mao's right to join in settling every problem under the sun. The West should think many times before admitting that Communist China should be accepted as the only representative of an Asia that includes India and Japan.

Mao Uses the Side-Door

COMMUNIST China has entered a section of the United Nations by the tradesmen's entrance. Because the World Federation of Trade Unions is still affiliated to Uno, representatives of this Soviet-controlled organisation have been able to attend the conference in Ceylon of the Economic Committee for Asia and the Far East (ECAFE), which is part of the United Nations. A delegation led by the Chinese secretary of the All-China Federation of Trade Unions went to Kandy where the opportunity was taken of making political speeches against the non-Communist governments of the Far East.

The Soviet representative also made the most of his chances. He invited delegations from twelve Asian countries, including India and Pakistan, to visit the Soviet Union next autumn, expenses paid. At the same time, he repeated the promise made at previous ECAFE conferences that his government was ready to supply Asia with industrial equipment on a long-term credit basis. So far, it is only China and North Korea that have benefited from Soviet credits and these countries must be absorbing most of the Soviet surplus machinery. But if political effects can be achieved by these loans, more may be heard of the Soviet offer in future. It may at least prove more realistic than the Chinese declaration at Kandy that the participation of Mao's government in ECAFE will greatly help economic development in Asia and the Far East. The Far Eastern World Federation of Trade Unions is hardly designed for such a purpose; it is the Asian branch of the Cominform, and is engaged in organising revolutions in non-Communist Asian countries.

Pay and Politics

THE Select Committee on MPs' pay had alarmingly narrow terms of reference. In 1946 MPs considered themselves entitled to £1,000 a year; to maintain a similar standard today requires £1,446. Round the figure off (allowing, perhaps, for MPs having to spend longer at the House than anyone expected) and the case for a rise to £1,500 was considered to be established. The question of whether an MP is worth £1,000 a year at 1946 prices, or whether he is worth more, did not arise within the committee's terms of reference, which were carefully restricted to purely statistical considerations.

But, on a broader view, the question is made much more complicated by two important points of principle. The first principle is that the pay of a politician should never be high enough to make the prospect of a cosy job a prime motive for standing for—or for retaining a seat in—Parliament. To be fair, the new proposals about pay (as distinct from pensions) seem to avoid this danger, although only just. The Select Committee reports that in 1953 the Inland Revenue allowed members an average amount of £750 a year each as expenses "wholly, exclusively and necessarily" incurred in carrying out parliamentary duties, and that most MPs incurred (but did not get allowances for) other expenses that were scarcely less necessary. Accountants' abilities to justify expenses vary greatly, but

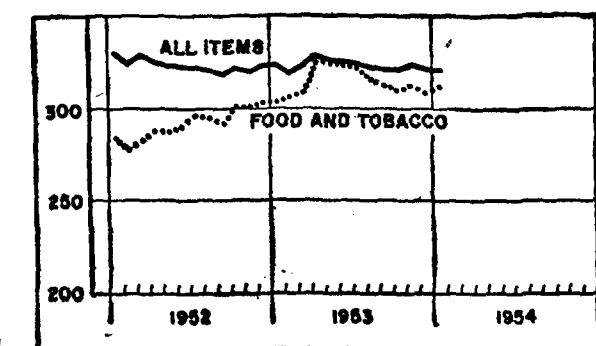
it is probably a fair conclusion that, even after any increase of £500 a year, the average MP will be left with less to live upon than he could make outside the House, at any rate if he was starting his career from scratch. The proposed increases in senior Ministers' salaries, from £4,000 to £5,000, and for junior Ministers from £2,000 to £3,000, pass this test with greater ease; Ministers, of course, have to give up all outside jobs upon appointment.

But the committee's second main proposal, for a non-contributory pensions scheme, seems a grave mistake. The proposal is that retired members, of 65 or over, should get a pension of £350 a year if they have completed between 10 and 15 years' service in the House, and £500 a year if they have completed more than 15 years' service; pensions for their widows are also proposed. It is easy to conceive of circumstances where this scheme could cause a member to tone down unpopular opinions, or retreat further into the party fold, for understandable (if inexcusable) personal reasons. Admittedly, as Mr Attlee pointed out in a letter to *The Times* this week, the prospect of a pension may make a member who has qualified for it more willing to retire. But why this tidy-minded insistence on length of service instead of a more generous adaptation of the present flexible system, of pensions based on need? A rigid stipulation tying benefits to periods of service raises precisely the dangers that a parliamentary pensions scheme should avoid at all costs.

The Piper's Tune

TO the Government the Select Committee's report must appear as a piece of sheer political devilment. This is not primarily because of its worry over the lofty principles involved; but because of its recognition that, whether it rejects the recommendations or seeks to implement them, it will run into a trap of its own devising. If Ministers reject the proposals, pleading that they would have an adverse effect on wage demands, what becomes of the Bill to raise the pay of judges from a starting point five times higher than that of MPs? Alternatively, if Ministers accept the recommendations, including the non-contributory pensions scheme, what happens to their case for raising the teachers' share of a contributory scheme? How, also, will they be able to resist their back benchers' campaign on

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Next week's issue of
THE ECONOMIST
will include a Special Section
on
DEFENCE

officers' pensions? Any resort to logic will be brushed aside in a wave of emotionalism. Nor will the argument be happier at a more elemental level. MPs know that their constituents retain a firm conviction that it is distinctly shady for anyone to be able to vote himself more money and that anyway £1,000 is high enough pay for "just talking."

Labour MPs generally favour the change; most Conservatives either oppose it altogether or feel it is at least inopportune. The Government will move circumspectly, and even if it agrees to support the proposals it may well insist that no higher salaries should be paid until after the next election.

Tories Still Ascendant

THE Conservatives held on to their seats at the by-elections in Harwich and the Haltemprice division of Hull with the greatest of ease. At Harwich, where 59 per cent of the electorate voted, there was a fractional (0.2 per cent) swing towards the Conservatives compared with the general election of 1951; at Haltemprice, where only 46 per cent of the electorate voted, there was a swing towards them of 3.7 per cent. In neither case was the swing as large as at Ilford the week before (where Labour dropped 5.7 per cent of the poll), but the Conservatives' performance was still far better than would normally be expected at a by-election at this stage of a Government's career.

RECENT BY-ELECTIONS

	Percentage of Poll			Total Poll as per cent of Electorate
	Conservatives	Labour	Liberal	
Ilford North				
By-election.....	59.8	32.3	7.9	45
General election....	55.5	38.0	6.5	85
Harwich				
By-election.....	59.1	40.9	...	59
General election....	58.9	41.1	...	79
Hull-Haltemprice				
By-election.....	61.8	38.2	...	46
General election....	58.1	41.9	...	83

There are five by-elections outstanding. At one of them—the ultra-safe Conservative seat of Bournemouth West—polling is proceeding as *The Economist* goes to press; the Labour candidate there has clearly been pressed for funds and he does not seem to have made a very serious effort. Two of the others—due to the resignation of the ailing Conservative MPs for Harrogate and Arundel, announced this week—are seats with even more massive Government majorities than Bournemouth. The other two, Edinburgh East and Motherwell, are Labour seats. To capture them the Conservatives would need a swing of over 4 per cent at Edinburgh East and over 7 per cent at Motherwell; since Labour will presumably make greater efforts to get its supporters to the polls than it did at either Ilford or Haltemprice, such captures seem very unlikely. But at the last general election Labour won 14 of its seats on a split

vote with the Liberals, and another 82 with less than 55 per cent of the total votes cast; there must be at least twenty or thirty of these ninety-six seats on which the Conservatives would be casting very hungry eyes indeed if anything happened to their present incumbents, or if there was an early general election.

Moscow's Shopping List

THAT the Russians should show such keen interest in the products of British heavy industry is a matter for real satisfaction, especially in the places where their orders might be placed. Indeed, the visit of British businessmen to Moscow has been, from the purely commercial point of view, a success. But Mr Kabanov's claim that between 1955-57 there may be orders for Britain worth £400 million must, for several reasons be taken with a pinch of salt. The 4,500 million roubles of which he spoke cannot simply be converted at the overvalued official rate; and it is estimated by the Board of Trade that more than half the items on the order list are subject to strategic controls.

There has been so far no suggestion that the British Government and its partners in the exercise of these controls are proposing to disregard them. Yet the Russians have said that these deals will be completed only if there is a "normalisation of Anglo-Soviet trade" and if British imports from the Soviet Union increase greatly. The first condition implies the scrapping of controls, which would be difficult even if it were desirable; the second will also be difficult unless the Russians and their allies can offer at reasonable prices goods that Britain needs. As was pointed out in the last issue of *The Economist*, their exports to the West have been falling fast in the last two years. Can they suddenly recover, and if so in what classes of goods?

★

For the Soviet Government the business trip has been a great political success. The offer to spend £400 million was timed to impress the Berlin conference and, what is more important, it has caused a sensation in Germany. In the absence of any clear warning from the Board of Trade, German businessmen assumed that the Soviet-British deals have gone through, with government approval, while they themselves remain bound by the existing allied controls. Full of indignation, they are preparing to make their own pilgrimage to Moscow, where they expect to have more success than in the secret Soviet-German trade talks that were held in Copenhagen in August, just before the West German elections.

This rush to trade at any political cost, which is artfully encouraged by Mr Mikoyan's representatives all over Europe, threatens to break up completely the embargo system that has been operated by common agreement since the passing of the Battle Act. Mr Mikoyan can say "Heads I win, tails you lose." For either the controls are maintained, in which case western businessmen and workmen grumble at their governments; or they are abandoned, in which case the Soviet Government can expect immense assistance from abroad in its triple task of maintaining military strength, diverting industrial resources to consumer goods, and industrialising China.

France's Fateful Choice

FRANCE cannot postpone much longer a final decision about the European Defence Community. To outsiders who are impatient with the delaying tactics of the National Assembly, Frenchmen reply that they face one of the most fateful decisions in the history of their country about an issue on which France is divided. Some insist on the need to maintain an independent French army, for reasons examined by a correspondent on page 545; others look forward to an integrated European army as the only hope of avoiding a national disaster. Some have their eyes fixed on the Rhine, others on the Elbe. In both camps are to be found men with glorious names, famous as well as bankrupt politicians. The division cuts across party allegiances, and the mass of the people stands perplexed and undecided.

The desire that such an important decision should not be imposed by one-half of the nation on the other half would be enough to determine some people to seek a compromise solution. But there are more practical reasons for attempts to water down the treaty. A small majority could probably be mustered now for the EDC treaty in the National Assembly, but it would have to rely on Socialist support. The Socialists, however, are in opposition, while the Gaullists who are in the government oppose the treaty, at least in its present form. At a recent cabinet meeting a Gaullist minister recalled threateningly that his seat was previously held by M. Mitterand—a minister who resigned over the Moroccan question.

To avoid a collapse of the present rightist coalition, political match-makers are busy seeking alterations in the treaty to make it more palatable to the Gaullists. In the maze of wild projects two tendencies emerge clearly: first, an attempt to postpone political integration and the creation of a "supranational" authority; secondly an effort to extend as far as possible the "transitional" period. It remains to be seen whether the Christian Democrats (MRP)—the great champions of integration—will accept a watered-down version offered by the right wing. It is even more doubtful whether the five other signatories to the Treaty would or could accept any revision of established clauses. A straight choice between the treaty as it is and no treaty at all can probably no longer be escaped; for it should be clear that changes that would leave France more freedom of action would harness any future government of Germany less effectively.

Notional Insurance

LAST week's debate in the House of Lords on Lord Beveridge's motion "to call attention to the problems facing the people and the Government of this country in the coming years in relation to national insurance" suffered from the confusion that has beset the whole national insurance scheme from its beginnings: the confusion between actuarial principle and the reality of economic administration. "National insurance" is not, and never has been, insurance in any real sense. It is a system of

earmarked flat-rate taxation, conceived and applied in open defiance of the canons of both equity and economy; and the only justification for keeping it separate from the general body of public finance is that the heritage of goodwill from the voluntary approved societies made the necessary contributions more acceptable than an equivalent amount of straight taxation would have been.

Actuarial calculations, if strictly followed, would have meant a long postponement of a full subsistence rate for pensions (or crushingly heavy premiums for the older worker); a strict segregation of funds built up under different parts of the plan; and a discrimination between good and bad risks, industry by industry and even firm by firm, which would have laid the costs of uncertainty or of danger at the doors of those incurring them. As things are, the monumental labours of the Government Actuary—whose first quinquennial review of the financial condition of the national insurance fund and the adequacy of contributions to maintain benefits is due this year—are in the nature of an academic exercise. The benefits which can be paid, like the sums expended on education or housing, will be determined by the whole economic situation and by the Government's assessment of priorities, not by the nominal distribution of Government securities between the fund and other holders.

Lord Beveridge, while assigning unconditional priority to old age pensions, explicitly recognised this fact. He pointed out that, regardless of any change in contribution rates, the Exchequer would have to carry the extra £100 million or £150 million that would be needed to bring benefits into conformity with the subsistence principle laid down in 1946. But to spend any money that can be afforded in this way would push up the standard of living of those pensioners who do not have to seek supplements from national assistance (because they have extra resources) while leaving the (generally poorer) supplement-seeking pensioners where they are now. This would be in accordance with the principles of equal pension rights for all which the Beveridge Plan embodied; but it would not be in accordance with the principle of making life a little easier for the hardest pressed pensioners, which is what most people think proposals for pension adjustments mean.

Smoking and Cancer

WHEN the *British Medical Journal* published a paper on smoking and cancer of the lung in December, 1952, it provoked little public stir. Even last week's statement by the Minister of Health, giving a second opinion on the relationship between the two, received less publicity in part of the national press than would have been given to a statement of comparable importance on poliomyelitis—which in its worst year so far has caused 750 deaths, compared with the 14,000 attributed to lung cancer. Some cynics may observe that the press does not want to lose its advertising revenue from the cigarette manufacturers; others, probably more justifiably, will remark on the widespread public dislike of facing the facts about cancer—especially when those facts concern so darling a sin as smoking.

The main findings of Dr Doll and Professor Bradford Hill (the authors of the original paper in the *British Medical Journal*) are detailed elsewhere on this page. In 1953, as a result of their paper and of similar evidence from research workers in the United States, a panel under the chairmanship of the Government Actuary was set up to report to the Minister of Health's standing advisory committee on cancer. That committee's opinion may be briefly summarised as follows: (1) a relationship between smoking and cancer of the lung has been established; (2) although there is a strong presumption that the relationship is causal, there is evidence that the relationship is not a simple one; but (3) no dramatic fall in death rates could be expected if smoking ceased, since the development of lung cancer may be a long-term process (although young people should be warned of the apparent risks of excessive smoking).

The main complicating factors are the difference in the

incidence of the disease between town and country, which suggests that atmospheric pollution may be responsible for part of its increase in recent years; and the failure, so far, to identify in tobacco smoke a substance producing cancer of the lung. (Certain tars derived from tobacco smoke have produced skin cancer in mice, but this is not considered conclusive evidence that it could be responsible for cancer of the lung.)

The tobacco companies have offered the Medical Research Council £250,000 for research, and until there is firmer evidence incriminating tobacco the Minister of Health may feel justified in not sounding too alarmist a note. But if that evidence is forthcoming there may be a strange clash between the Ministry's duty to further preventive medicine, the public's attachment to its favourite vice, and the Chancellor's attachment to his £600 million of revenue from tobacco duties.

Facts About Smoking and Cancer

THE British investigation into the effect of smoking on cancer was reported in a paper by Dr R. Doll and Professor Bradford Hill in the *British Medical Journal* of December 13, 1952. The main method of inquiry was to interview 1,465 patients (1,357 men and 108 women) with lung cancer and the same number of "matched control" patients (of the same age and sex) with other diseases. The interviews were made in 1948 to 1952 in hospitals in London, Bristol, Cambridge, Leeds and Newcastle-upon-Tyne. The main results were as follows:

(1) Only 4.5 per cent of the male patients with lung cancer were non-smokers or very light smokers (less than five cigarettes a day) compared with 14 per cent of the male control patients with other diseases; 24.4 per cent of the male patients with lung cancer smoked more than 25 cigarettes a day compared with 12.2 per cent of the control patients. Similarly 13 per cent of the women with lung cancer smoked more than 25 cigarettes a day, although none of the women control patients did. The

first table below shows details of this progression.

(2) The association between smoking habits and the prevalence of lung cancer in men was found in each of the five areas of inquiry. For women it was found in London only but the sample elsewhere was tiny; only 28 women patients were interviewed in the provinces.

(3) Pipe smokers seem to run less risk than cigarette smokers. Among male lung cancer patients who smoked, 3.9 per cent smoked only pipes, and 74.4 per cent smoked only cigarettes; the corresponding proportions in the non-cancer patients were 6.9 per cent and 69.4 per cent. Although the numbers of pipe smokers are so small, the difference is significant.

(4) The proportion of cigarette smokers who had ever used a cigarette holder was significantly smaller among the cancer patients (5 per cent) than among the control patients (12 per cent). Similarly, only 3 out of 504 patients with lung cancer had smoked filter tipped cigarettes compared

with 15 out of 467 control patients. The observations are too few for any definite conclusion to be drawn but they suggest that filter tips may be a deterrent and that cigarette holders probably are.

(5) There is no evidence that the use of petrol lighters has any effect.

(6) There is no evidence that any one brand of cigarette is more closely associated with lung cancer than another.

(7) The relative risks associated with different levels of smoking were estimated for the Greater London area only. On the assumption that the smoking habits of the lung cancer patients were typical of those who died of the disease and those of the control patients were representative of the inhabitants of Greater London generally, it was found that hardly any men died from lung cancer between the ages of 45-64 if they were non-smokers, but that for heavy smokers in this age group the death rate reached 3 to 5 deaths a year for every 1,000 people living.

LUNG CANCER AND THE EXTENT OF SMOKING

Average number of cigarettes (or equivalent in pipe tobacco) smoked daily over 10 years before illness	Percentages in Each Group			
	Men Patients		Women Patients	
	Lung Cancer	Control	Lung Cancer	Control
Non-smokers*	0.5	4.5	37.0	54.6
Less than 5	4.0	9.5	14.8	23.1
5-14	36.0	42.0	22.2	16.7
15-24	35.0	31.8	13.0	5.6
25-49	21.7	11.3	13.0	...
50 and over	2.8	0.9	...	...
TOTAL	100.0	100.0	100.0	100.0

* Classified as those who have never consistently smoked as much as one cigarette a day for as long as one year.

ESTIMATED DEATH RATES FROM LUNG CANCER IN GREATER LONDON

	Annual Death Rates from Lung Cancer per 1,000 Men or Women in each Age Group					
	Men			Women		
	25-44	45-64	65-74	25-44	45-64	65-74
Non smoking	0.00*	0.14*	0.00*	0.006*	0.09	0.32
Smoking daily:						
1-4 cigarettes	0.03*	0.59	2.38	0.04*	0.06*	0.07*
5-14	0.13	1.35	2.66	0.03*	0.34	0.59*
15-24	0.12	1.67	3.88	0.13*	0.19	2.37*
25-49	0.17	2.95	6.95	...	...	...
50 and over	0.52*	4.74	10.24*	...	...	...
Number of patients interviewed	61	539	130	9	39	13

* Rates based on fewer than 5 observations.

Under Starter's Orders

MR MULLEY'S perseverance has earned first the silence of doubting colleagues and the guarded support of the Government; and there is a good chance that his Pools Betting Bill will reach the Statute Book in the summer. This Bill, which was discussed in *The Economist* two weeks ago, seeks to compel all pool promoters to register with local authorities, to be subject to the scrutiny of a local authority auditor and to publish a breakdown of the finances of each competition. It is the first proposal of the three-year-old report of the Royal Commission on gambling over which any action has been taken at all.

Mr Mulley's success may encourage those interested in some of the other proposals of the Royal Commission to move up under starter's orders. The Commission's main proposal was the legalisation of off-the-course betting—in other words, the substitution of registered betting shops for the illegal street corner tout. This would not only make the law less of an ass but would offer a chance of easing the economic difficulties now facing horse racing. Many of the claims of the bloodstock industry are undoubtedly exaggerated. But it can justly argue that it has a useful dollar export trade, which depends on flourishing racing; that owners nowadays are estimated to get back in prize money less than half of what they spend in training bills, transport and entry fees; and that other countries (Ireland is the most popular parallel) have derived real benefits from legalising off-the-course betting and exacting a levy from which a substantial contribution to racing can be made.

In a limited way this was what the Tote was supposed to do over here; but the results have been disappointing, chiefly because its profits have been taxed. The racing world claims this is contrary to Parliament's original intentions, and the matter has been taken up with the Chancellor. Moreover, there are signs that, now Mr Mulley's Bill has broken the ice, the broader issues may move nearer to serious consideration. Has not the Jockey Club two distinguished members strategically placed at 10, Downing Street and the Ministry of Agriculture?

Franco Draws the Sword of Islam

GENERAL FRANCO is busily spoiling a good case in Morocco. He was justifiably nettled by the high-handed way in which the French brought about a change of Sultan in August, without consulting either of the other two zones—Spanish Morocco and Tangier—over which the Sultan of Morocco is sovereign. The French had the imperative need for haste as an excuse for their initial discourtesy; but they made a grave blunder when they omitted to have a formal exchange of views with Spain immediately their deed of deposition had been done. The Spaniards, after a silence of some months during which, presumably, they have taken the temperature in their own zone, have started to vent their chagrin.

Last week, General Franco received a delegation of

pashas and caids from Spanish Morocco who came to offer him a decoration. In a speech that advertised the degree of his annoyance with Paris, he declared at one point that Spain was the champion of Moroccan unity, but at another that the Khalifa—or Sultan's representative—of Spanish Morocco was for the moment regarded by Spain as sovereign in the Spanish zone. What does he mean by two such conflicting statements? And has he any policy for the day after tomorrow? The confusion about his intentions created by this ambiguity becomes worse confounded by a claim in the Madrid newspaper *ABC* to the inclusion of Tangier in the Spanish zone. (*ABC* is censored, and could not have printed such a claim without approval.)

Only fifteen months ago the Spaniards triumphantly agreed to adjustments in the international regime for Tangier that restored them to a position they had lost in 1945 owing to their behaviour during World War II. Does the Caudillo now wish to undo what was then settled? And is he hoping, by posing as champion of the deposed sultan, to steal a march on Europe by currying favour with Arab nationalists? Spanish Moroccans, in interviews given to Cairo newspapers which General Franco may not have read, clearly think of him as the catspaw through whom they will gain autonomy, and the first step towards liberating the whole of Morocco from Europe. An inevitable result of upsetting the appellation in other people's zones is to expose the Europeans in all three zones to insecurity. The General's liberalism should begin at home.

The Ever-receding Plebiscite

THE plebiscite by which the people of Kashmir are supposed to have an opportunity to decide their future allegiance under the supervision of the United Nations seems to be ever fitting away from the present as the months and years go by. Since the Indians have agreed in principle to holding it, they cannot simply refuse to allow it; but the endless haggling over conditions for holding it has had the effect of postponement without limiting date. There appeared to be a step forward last August when India and Pakistan agreed at least to appoint a plebiscite administrator by April of this year. But during the past fortnight the situation has again taken a turn for the worse.

The Kashmir Constituent Assembly (which cannot be regarded as more than partially representative of the Kashmir people) has passed resolutions that are equivalent to a ratification of accession to India, and this has been declared by the Kashmir Prime Minister, Bakshi Ghulam Mohammed (with echoes in the Indian press) to be final and irrevocable. At the same time it is reported from Delhi that the Indian Government is saying that further negotiations over the plebiscite will not take place unless Pakistan gives satisfaction to India over the projected American military aid. It is natural that India should be dismayed at the prospect of such a strengthening of its unloved neighbour, but that does not seem a sufficient reason for laying down totally irrelevant conditions for the implementation of a promise which has been given to an international body. It seems to be time for the United Nations itself to take up the matter again and try to get the plebiscite

actually held. If India and Pakistan cannot agree on terms for the policing or defence of Kashmir during the plebiscite, the United Nations might offer to provide a neutral force similar to the one which India itself provided for supervision of the prisoner-of-war provisions of the armistice in Korea.

The Greek Children

THE Communist government in Hungary recently announced that it is willing to send back over 1,100 Greek hostages removed from their homes in Epirus by Communist guerrillas during the Greek civil war. If all goes well, they should begin the journey home this weekend. The safe restoration to Greece of these unfortunate people will be doubly welcome; first for its own sake, and then as another sign that the Cominform countries want to take practical steps to reduce tension with their neighbours.

But Greece will not be impressed by the overtures of its northern neighbours so long as they do nothing about between 25,000 and 28,000 Greek children who were dragged behind the iron curtain during the civil war. Of this fantastic total scarcely more than 500 have been sent home again—and all these from Yugoslavia. Last autumn the Hungarian and Czech governments announced that they were willing to negotiate about the return of some hundreds of Greek children, but in neither case has anything happened since, Greek-Bulgarian negotiations for the resumption of diplomatic relations have been going on in Paris since December; but so far, the Greek delegates' inquiries about—among other things—the Greek children carried off to Bulgaria have met with no satisfactory response. Nor did the large delegation of parents and guardians of abducted children who called on Mr Sergeyev, the Soviet Ambassador to Greece, when he visited Salonika last month.

The truth probably is that the Communists are unwilling to let most of these children go because they have gone to a great deal of trouble to turn them into good young party members. It has been reported that some of them are even trained as guerrilla fighters—presumably to make mischief once they are back in their native country. How far the process of indoctrination has gone it is impossible to say; but some of the children must now be well on in their teens. It is obvious, however, that the children's parents will not give up hope; and that Mr Sergeyev's tours through Greece in the interest of better Greco-Soviet relations will fall flat so long as Soviet Russia does nothing to hasten the return of the abducted children. Their story, as the Salonika delegation told the Ambassador with bitter irony, "is in no way flattering to the much-advertised moral qualities of the people's democracies." It is, indeed, among the cruellest of the many cruel things done in their country since the war.

The Discomfort of Freedom

MEAT and bacon are to be set free before the middle of July, and after more than fourteen years every family in Britain will be able to consign its ration books to the dustbin. The announcement had been expected for

so long that it has caused little stir; although it has set reminiscences in train about why rationing worked more smoothly in Britain than in most other countries. The principal reason probably did not lie in praiseworthy national characteristics, so much as in the fact that Britain did not have countless small farms that could profitably feed domestic produce into the black markets.

Politicians, however, are looking forward instead of backward; and there is eager speculation over whether the dramatised lifting of the last straw from the camel's back will add to the Conservatives' popularity. There is a cynical reason for supposing that it may not have the effect that the Conservatives are expecting. For although de-rationing has not, in sober fact, been accompanied by any exorbitant increase in prices, many housewives plainly believe that it has. And herein lies an odd social experience of the past two years, of which many males are unaware and which many housewives will deny: namely, the roughness of readjustment, in millions of homes and along thousands of shop counters, to the responsibilities of freedom.

In the last two years, as rationing has eased, a very large proportion of housewives—in fact, virtually all those now under thirty-five or so years of age—have been meeting for the first time the opportunities and the risks of economic independence. Instead of pushing three or four ration books over the counter, in the secure knowledge that the quantities of bacon, eggs, cheese, fats and so forth obtainable would, however inadequate, at least be well within what she was prepared to spend—and subsequently turning with a clear financial conscience to the fancy biscuits and processed quasi-cheeses—the housewife now has to think seriously about staples; to take the consequences of any of those errors of judgment which, under the benevolent paternalism of the ration book, she was not allowed to make; to discover, by trial and possibly painful error, the pattern of weekly spendings best suited to her family budget and needs. And all the time, as the shelves and shopwindows fill up, temptation besets her to spend not merely as much as ever but more than ever on the fancy trimmings, for the purchase of which the enforced restriction of her food budget once left her free. It is not surprising that the total effect is of a wasting hæmorrhage of the purse—an effect easily translatable into an honest belief that everything is getting dearer every day. Those who variously attribute the achievement of de-rationing to careful policy or kindly terms of trade can be left to argue among themselves whether all this should be called a proof of feminine inconsistency or a mysterious form of justice.

Colonel Wigg and Private Bills

PARLIAMENTARY strategists might have smiled if an amendment to the Ashridge Trust Bill, moved in the House of Commons on Tuesday by Colonel Wigg, had been taken to a division; but the students at Ashridge College would have been saddled with some odd homework. In order to air his views on the need for an enquiry into the whole procedure of Private Bills, Colonel Wigg recommended—as a parliamentary expedient to remain "in

SECRETS OF THE WOOLWORTH MILLIONS

Seventy-five years ago, Frank Winfield Woolworth opened what he rather flamboyantly called "The Great Five Cent Store" on Bleeker Street, Utica, New York State. Inside four months it had closed down—a complete failure.

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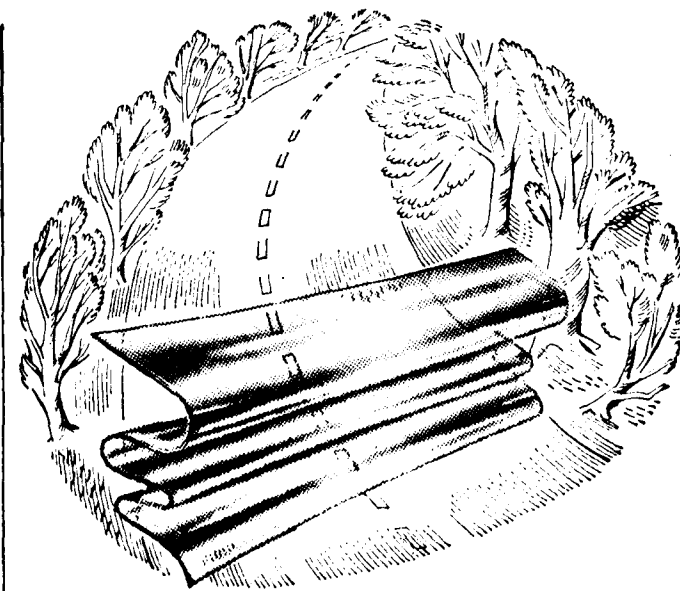
The story of Woolworths between that first flop in Utica and the latest record profit announcement is one of the marvels of the financial world. Start reading this amazing story in "Everybody's" on sale next Monday, February 22nd.

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order"—that the compulsory study of this subject should be written into the college's statute. He delayed the passage of this particular Private Bill in the hope that this might eventually help other Private Bills to pass more expeditiously.

Private Bills are introduced to legalise specific changes in such matters as the terms of a trust or the powers of a local corporation; they do not make general laws. The dissatisfaction that has lately been voiced at the cumbersome procedures involved in their passage has two main roots. First, some local authorities wishing to introduce such bills have been thwarted by what they regard as small and unrepresentative cliques at the town polls or town meetings that the present law demands; Birmingham's experience in this matter was discussed in *The Economist* on January 16th. If the proposed "reform" of the law merely meant the destruction of political safeguards against administrative encroachments upon personal liberty, it would be a sorry reform indeed.

Once a Private Bill has reached Parliament, however, its opponents take over from its proponents in feeling that they have grounds for complaint. The objector can then only state his case by making a petition which is heard (through counsel) by a Select Committee of the House, and which is liable to be a very expensive business. Some Members of Parliament have turned themselves into what is in effect a self-appointed watch-committee to guard against any abuses of individual liberty threatened by Private Bills; but their contribution is necessarily one-sided. It is now twenty-five years since the procedure for Private Bills was last thoroughly sifted by an investigating committee of the House; and even if there is little room for change, much can be said in favour of Colonel Wigg's argument that a new look should be taken at the old problem.

Unwillingly from School

ELTHAM HILL GIRLS' SCHOOL—an ordinary but well-run grammar school, with reasonably up-to-date buildings on the outskirts of South-East London—has been elevated by the London County Council into a test case. Within the next few weeks, at the latest, the Minister of Education will have to decide whether she will accept the LCC's decision that it should be closed in order to allow the new Kidbrooke comprehensive school an undisputed field; or whether both schools should continue side by side.

The buildings at Kidbrooke will be complete in three months, and in this area there is no need for Eltham and 500 more grammar school places in the comprehensive school. The broad outline of the LCC's School Plan, which was approved by Miss Horsbrugh's Labour predecessor, included the transfer of the Eltham School to another comprehensive school (the existing buildings would still be used as a school). But, as late as 1952, pupils were still coming to Eltham on the assumption that they would complete the whole of their grammar school education there. The LCC's decision that the school should close raised a storm of protest from parents; the argument put forward by some Socialists for comprehensive schools—that the intellectuals who gain grammar school places should be educated in the same buildings as the unintellectuals

tuals who do not, so that the latter might occasionally punch the former's heads—does not go down very well in Eltham.

In a speech last October Miss Horsbrugh emphasised that she had no power to interfere with the LCC's general plan for comprehensive schools, because her predecessor had authorised the necessary buildings. She had only the power to decide whether existing schools should be closed against the wishes of local parents and residents. The hub of the problem is that if the two schools continue side by side, they will be competing for the limited local amount of grammar school talent; and one or the other—it would almost certainly be Kidbrooke—would attract less than its share of bright girls. But when a school that is considered unattractive by parents has to have its more attractive neighbour closed down, somebody somewhere is driving a steam-roller over the efficiency of state education.

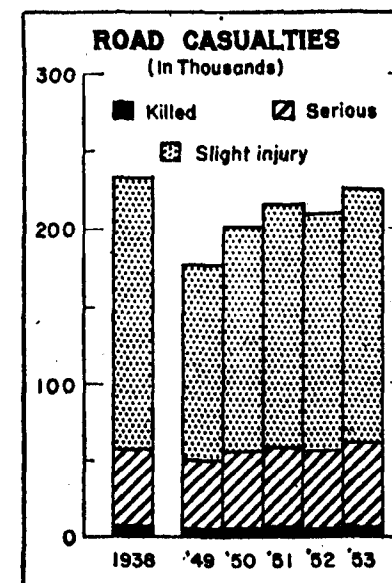
Roads to Disaster

THE only comforting feature about the Ministry of Transport's analysis of "Road Accidents 1952," published this week, is that although the population has increased by 6 per cent since 1938 and the number of vehicles on the roads by 50 per cent, accidents are rather less common than they were before the war. The provisional figure for 1953, although 9 per cent higher than that for 1952, was 5 per cent below the total for 1938. But the toll is still appalling. As Mr Philip Noel-Baker pointed out in the House of Commons on Monday,

if last year's rate of casualties continues, 4,500,000 people, nearly one in ten of the population—will be killed or injured on the roads in the next twenty years.

Both last year and this year the Government has diverted only £2,250,000 of its expenditure (£3 million, including expenditure from the rates) to deal with the "black spots" where accidents most frequently occur. As there are some 50,000 black spots in the

country the present rate of progress is very slow. The Ministry's analysis shows that three-quarters of the accidents in 1952 occurred in built-up areas, and of these about half were at junctions or cross roads. The most common cause of accidents (in 21,000 of them in 1952) was that pedestrians crossed the road carelessly. Next came turning to the right, by both drivers and cyclists, without due care (11,000), and carelessness in getting into or out of a vehicle (7,000).



Letters to the Editor

Weapons to End War?

SIR—In your leader of February 6, 1954, you raise the question, "Is it now the intention to do exactly the opposite of what was done in 1950 in Korea—that is to say, to extend a local conflict by striking at the source of aggression?" And you answer that question by stating that "It is, perhaps, better that aggressive governments should be left in doubt on this point; it is certainly not a matter for a public pledge." Are you suggesting that the allied governments should repeat Sir Edward Grey's mistake of July, 1914, and leave a potential aggressor in doubt about their reaction to local aggression? The new policy will be workable as a deterrent to local aggression only if the potential aggressor is reasonably certain that local aggression will be met with atomic retaliation. If the allied governments leave any serious doubt in his mind on this count they will invite exactly that kind of miscalculation that has so often in the past led to the outbreak of a general war which nobody wanted and which would not have broken out had the potential aggressor known in advance how the other side was likely to react.

The new policy will make new Koreans impossible, for no government in its senses will start a local aggression in the knowledge that its industrial and population centres will be reduced to rubble in retaliation. Yet by making new Koreans impossible, the new policy will raise a new problem which apparently neither its supporters nor its critics have yet faced. For either a potential aggressor will abstain from local aggression altogether, or, if he is committed to aggression even at the risk of a third world war, he is bound to anticipate atomic retaliation by atomic prevention. That is to say, a new Korea will not start with the attack of North Korean ground troops attacking South Koreans, but by Russian bombers dropping atomic bombs on the military and industrial establishments of the nations committed to atomic retaliation. The very announcement that local aggression will be met by a war of atomic retaliation will make such a war impossible. Instead it will call into being a war of atomic prevention from the other side.

Atomic retaliation, whatever its merits, is, however, only an answer to open military aggression. The new policy must assume that the threat to the status quo, conjuring up the spectre of a third world war, is likely to take that form. Yet the real threat to the status quo arises from the revolutionary ferment which holds much of Asia, Africa, Latin America, and Western Europe in its grips. Obviously, it would be no answer to the threat of

a Communist revolution in Italy to drop atomic bombs on Moscow, nor could the inroads of Communism in Indonesia be stopped by reducing Peiping to rubble. That crucial problem Mr Dulles's speech of January 12th refuses to face by anything more than the expression of confidence that freedom is more attractive than slavery and cannot help winning out in the end. Yet while that problem is not faced squarely, the "new look" of American foreign policy is nothing more than an obsolescent look, the look of ultimate catastrophe and defeat.—Yours faithfully,

HANS J. MORGENTHAU
University of Chicago

Mr Butskell's Dilemma

SIR—This dilemma is double. Mr Butskell's behaviour before the dilemma was rightly described by you. But that is only half the story. Behind that dilemma, undoing as much as ever Mr Butskell did, has been Mr Gaitler. Butskell may have been bad, but Gaitler has been worse. What both have achieved, simultaneously and in opposite directions, has been disastrous: double Jekyll and double Hyde: double schizophrenia: "double, double..."! —Yours, equally confused,

GRAHAM HUTTON
Abingdon, Berks

Squaring Strasbourg with Gatt

SIR—As an observer at the second Westminster conference of the European Movement of economic and social problems, may I welcome your notice of that body and its deliberations last week? It is gratifying to see a fuller acknowledgment in the press of the views which have been put forward so long and so consistently in the European Movement, the Council of Europe and the European League for Economic Co-operation, to the effect that some strengthening and closer association of the EPU area is a necessary prelude to any further advance towards real free trade.

I should be grateful for an opportunity to dispel any impression that the Westminster conference was riven by disputes between protectionists and free traders. Fairly close acquaintance with many of the persons present and study of the reports lead me to believe that there were few, if any, *a priori* autarkists present. The conference merely reaffirmed the view, widely held in this country and in the Commonwealth, that the doctrinaire and purist insistence on the Most Favoured Nation clause is inhibiting the policies of which the world stands urgently in need.

The relatively small number of

Commonwealth delegates present was due to internal administrative arrangements, and in no way invalidates the strong Commonwealth support which was voiced in favour of similar or stronger views at the Commonwealth Conference of the European League for Economic Co-operation in Brussels two years ago.

Finally, let us not delude ourselves with debating points. The remarkable recovery of sterling since 1951 is surely attributable in the foremost degree to the rigorous "discrimination" which was effected two years ago. As for the alleged "howling down" of the protection of infant industries by German and French delegates, the official policy of these nations is clear enough. France is certainly not one of the most free trade nations in the world, and I have just perused an article by Dr Theodor Sonnemann, State Secretary in the Federal Ministry of Food, Agriculture and Forestry, entitled "German Agriculture Must Be Protected On The World's Markets."

Events are in any case slowly forcing us to follow the right line. Despite all opposition the Strasbourg Plan is now receiving extremely close official consideration both in this country and in the rest of the EPU area.—Yours faithfully,

PETER BAKER
House of Commons

Enterprise in the Air

SIR—In your article of February 13th you mention that "the impression is gaining ground, not least in the two nationalised corporations, that the Government's 'policy' appears to be leading not towards genuine competition but towards the creation of a number of new private monopolies."

Certainly if this opinion is held in corporation and Opposition circles, often so strikingly coincident in view, it may be assumed that the Minister's statements have been heeded. He is, as he has said, not trying to make the functions of the public and private sectors of the industry senselessly competitive but rather complementary. Indeed it is this, not the opposite, that has always been implied in the Minister's policy statements in the House of Commons as it was in reply to a Question of mine last week. Your article was thus based on a false premise.

To fly to the other extreme, however, and impute private monopoly, as the BOAC-Labour Party axis seems to assume, is again taking leave of the facts. Only delusions of grandeur could underlie the belief that a corporation could undertake the whole of British air transport, unless the believer be a rigid socialist. There is plenty of competition already on any single route or service, and the foreigner supplies it. Let this competition be fought by each sector where it is met, but surely let us see our corporations make a business success of the vast network of routes they already properly claim before unlimited new commitments are undertaken. There is room for both, I hope, in the future of

our aviation. It would be poor policy for a Government to promote dog-eat-dog competition between British interests in the earliest days of their operating new services; but nothing in our present policy will justify the assumption of monopolies anywhere except, in fact, in favour of the corporations.—Yours faithfully,

REGINALD BENNETT
House of Commons

Who Pays Teachers' Pensions?

SIR—It is difficult to think that the above question, in your issue of February 13th, was posed with any seriousness. Presumably the uninformed reader was to infer that the scheme is heavily subsidised by the Government. Nothing could be further from the truth. The Exchequer carries some liability in respect of the years 1918-22, the only period during which teachers enjoyed the non-contributory scheme promised them in the 1918 Act. For the rest it is doubtful whether as much as a single penny has been expended from national sources. Indeed, the monies contributed by the teachers and the local authorities in accordance with the scheme, have been used by successive governments for their own purposes to the extent of £220 million. That is the credit balance of the scheme today. The annual income is in the region of £23 million a year and expenditure has never yet reached as much as £6 million in any year. Little wonder that no one has dared risk a prediction as to when the scheme will be "in the red." There is little chance that the paper contribution of £144 million will ever be translated into hard cash.

If the teachers' scheme has been selected as a precedent for a wholesale revision of pension schemes then a singularly inept example has been chosen. Or is it that teachers have been singled out for attack merely because they are the most pacific, and long-suffering element in the community?—Yours faithfully,

R. W. DARGAVEL
Newcastle-upon-Tyne

Controlling Private Schools

SIR—Your note in the issue of February 6th on the operation of Part III of the Education Act, 1944, is interesting. May I make the point that the introduction of this part of the Act, by closing the less desirable schools, will work immensely to the advantage of private and other independent schools? It would give these schools a powerful argument for continuance against upsurging socialist demands to end independent education, since, once on a Part III register, the schools can hardly be accused of inefficiency. It is therefore ironical that demands for applying Part III generally come from Labour benches; but from the Labour back benches—the front bench remains informed and silent.—Yours faithfully,

JAMES NOWELL
Bearssted, Kent

Books & Publications

Economics in an Attic

A BALANCED ECONOMY.

By L. S. Amery.
Hutchinson, 12s. 6d. 263 pages.

THE dust-cover proclaims that this "is at once a challenge and a confident and conclusive answer" to nearly all the major economic problems before Britain today. Unfortunately, the tone of the books shows that Mr Amery believes this. As a result the first two impressions to leap out of the text are of astonishing industry and astonishing arrogance. This is a pity: first, because the distinguished elder statesman who is its author has made a proud mark on one golden moment—and several silver moments—of English history; and, secondly, because both impressions are probably wrong.

Mr Amery's main thesis is that pursuit of Adam Smith's doctrine of maximisation of income through division of labour can degenerate into a very tiring and bewildering chase; and since tiredness and bewilderment are both nasty things to suffer from, he wants to put something else in liberalism's place. That something else he defines as pursuit of an economy in balance; and although his early remarks do not explain satisfactorily what an economy in balance is, the reader is left to suppose that he will find out later.

From this, Mr Amery plunges enthusiastically into an exhaustive and exhausting survey of the primary resources of Britain and the Commonwealth, with sweeping recommendations attached to each. Food production in this country should be raised to at least twice its pre-war figure; Britain should start digging vast quantities of low-grade lead, zinc, tin, wolfram and other metals out of its own soil; all the other countries in the Commonwealth should start doing the same; and the Commonwealth should erect the sternest possible trade barriers to prevent foreigners sending in their cheaper products from outside. Nearly all these proposals suffer from the disadvantage that vast capital investment would need to be undertaken in order to start up production; and that, once production had been started, it would be much more expensive than existing production elsewhere. In short, these are all schemes for diverting resources from the production of current wealth in order to lay the expensive framework for schemes in which those resources could eventually be employed in producing less current wealth than they are producing now; but the reader has already been told, in Chapter I, that finicky and complicated objections of this sort are a sign of short-sighted timidity.

Ordinary cost analysis has been consigned to the rubbish dump with Adam Smith, and the reader is still waiting—as he draws nearer and nearer to the end of the book—to discover what the balanced economy will put in its place.

Then, in the middle of a passage complaining that Canada is very short-sighted because it does not come into the sterling area (for the obviously inadequate reason that such entry would not be in its economic interest), the book comes to a sudden stop. And, as it does so, realisation dawns. The balancing factor that a balanced economy would set against the uneconomic nature of these various schemes is that Mr Amery thinks that all of them would be nice things to do. With this realisation earlier impressions must be softened. The two emotions that really underlie this book are the normal energy and opulence that we all feel when we are turning over belongings in our attic; this is a harmless occupation, provided that it is realised that those belongings have no relevance at all to the parts of the house in which anybody with any pretensions to a decent standard of living can ever expect to live.

Brave New World?

THE DOORS OF PERCEPTION.

By Aldous Huxley.
Chatto and Windus, 63 pages. 6s.

IN this essay Mr Huxley describes his experiences after taking a single dose of mescaline. Peyotl, of which mescaline is the active principle, has been used for centuries in the religious rites of many Indian tribes in northern Mexico and in the south-western part of the United States. Psychiatrists have been interested in it for the last twenty years because of the striking similarity between the experiences and behaviour it temporarily produces and the signs and symptoms of schizophrenia. Indeed, this book originated in the testing of the theory that the production of a mescaline-like toxin in the body might account for the phenomena of schizophrenia. Phenomena peculiar to both conditions include strange alterations in sense-perception; hallucinations of sight, smell and hearing; an immobility and a withdrawal from all contact with reality into a dreamy ecstasy; thinking in images rather than in concepts; a feeling of heightened significance of objects; and strange feelings of unnatural influence.

Mr Huxley was fortunate in not experiencing the unpleasant—indeed terrifying—effects sometimes produced

by the drug. He concentrates upon the visual changes it produced in his immediate world: on the intense brightness of things and on richness and saturation of colour; on the enhanced significance of form, contrast and texture which he experienced. He made, he says, a fresh discovery of a world of visionary beauty in which spatial relationships and time became unimportant. This has all been described before, but never so well; and never by an artist trained to communicate his experience in words. He tells how under the influence of the drug he saw for the first time a chair as Van Gogh painted it, and draperies as Botticelli and El Greco had reproduced them.

What the rest of us can see only under the influence of mescaline, the artist is congenitally equipped to see all the time.

These aspects of Mr Huxley's essay are so exciting that many will wish that he had repeated the experiment so that his description could have been fuller.

Some of Mr Huxley's readers may well have had to part company with him in 1937, in the last chapters of "Ends and Means," because they could not follow him in his excursion into the realms of mysticism. They may also find many passages in the present book incomprehensible—passages where the detachment and contemplation induced by mescaline lead to allusions to "Suchness," "the Dharma-Body," and "is-ness."

Friends and Society

THE QUAKER APPROACH TO CONTEMPORARY PROBLEMS.

Edited by John Kavanaugh.
Allen and Unwin. 254 pages. 15s.

IN the popular mind Quakers are known primarily for opposition to war and the taking of oaths, for marked business ability and for zeal in philanthropy. More than one writer in this interesting but uneven symposium gives as one reason for business success the fact that since Friends were till 1870 debarred from taking university degrees, and consequently from entering most of the learned professions, they turned their abilities, always diligently applied, to manufacture and commerce; the association of Quaker names with banking (Lloyd, Barclay, Tukey) to some extent brewing (Hanbury, Buxton, Crowley), chocolate manufacture (Fry, Cadbury, Rowntree) and biscuit manufacture (Huntley and Palmer, Gray Dunn) is familiar.

On the whole it is more likely that success in business was due primarily to the strict integrity practised in commercial transactions. Friends were certainly not debarred from the law (witness Sir Edward Fry) or from medicine—Lister qualified well before 1870, and Fothergill and Lettsom were among well-known Quaker physicians. Moreover, in one of the best contributions to this volume Professor Kathleen Lonsdale observes that the Society of Friends has abounded in botanists, geologists and astronomers, and that an acute contemporary problem, the legitimacy

for Quakers of the pursuit of atomic research, gains significance from the fact that a Quaker scientist (John Dalton, 1766-1844) "may fairly be regarded as the father of modern theories of atomic structure and chemical combination."

The fifteen contributors to this discussion are all of them Friends and most of them Americans. The symposium is not entirely successful. Most of the chapters are too short to cover the ground adequately, and some, notably on economic life, are disappointingly discursive and inconclusive. That on business and industry, by Robert Yarnall, though still briefer, is more to the point, although in the end it gets little further than urging the necessity for close human co-operation between employer and worker, and for the conscientious examination by every individual of the possibility of remaining in the world without conforming to prevalent standards which may be very different from those of Quakerism. An English writer on this subject might have said more of the record of twentieth century Quaker employers in this respect, and of the careful thought given by most of them to the right disposition of their wealth.

William Penn, the best-known Quaker after the founder of the Society of Friends, George Fox, is quoted by Robert Yarnall as writing: "True godliness does not turn men out of the world, but enables them to live better in it." That is generally accepted by the writers who here discuss Quaker principles in relation to the problems of today—education, race relations, crime and punishment and the rest. They have a good deal to say worth considering by readers who are not Quakers and never will be.

What is Income?

THE MEANING OF INCOME IN THE LAW OF INCOME TAX.

By F. E. LaBrie.
University of Toronto Press. (London: Geoffrey Cumberlege.) 380 pages. 97s. 6d.

"INCOME TAX, if I may be pardoned for saying so, is a tax on income. It is not meant to be anything else." So said a learned judge half a century ago. But what is "income"? The British Income Tax Acts nowhere define it. Sources of income are enunciated and the methods of computing "profits and gains" from them are prescribed. But the Acts are silent about the nature of income, whether the receipt pertains to "revenue" or "capital." Taxation statutes of Commonwealth countries similarly have not delimited the expression "income"; both here and abroad its legal import has to be deduced from the decisions of the courts.

Under the British Income Tax code, unless an "incoming" can be assigned to one of the sources set out in the five famous Schedules it is not "income" for taxation purposes. This explains why the profit from the sale of a capital asset is not income unless it arises in the course of trading or dealing in property.

The American concept of income differs strikingly from this, for the Supreme Court in one of its earliest decisions held that "income" embraced the profit made on a capital transaction even if it were an isolated one.

In Canada, "income" is statutorily, and most unhelpfully, defined as "income derived from all sources" including income from business, property and employments. The Canadian courts have made no independent attempt to develop a concept of income, but have generally followed British decisions. In this book, Professor LaBrie draws on the tax cases of the two countries to deduce two cardinal principles. First, "income includes only amounts arising or resulting from the pursuit of gain"; this principle, he says, determines whether the "incoming" is of the nature of income and accounts for the exclusion of "capital gains" from the meaning of income. Secondly, "income means net income, or 'incomings' less certain 'outgoings' to be determined according to ordinary commercial principles"—subject, naturally, to any statutory exceptions.

Dr LaBrie is very critical of the British judge-made rule that an expense cannot be deducted in computing business profits unless "it was made for the purpose of earning the profits"; the Tucker Committee on the Taxation of Trading Profits recommended the abrogation of this test. In Canada the courts are even stricter, for there an expense cannot be deducted unless it was incurred "in the income-earning process from which the income was derived."

From the economic point of view, the income of a company and of the shareholders arises from the same source. Dr LaBrie observes that, in English law, double taxation of company income, in this economic sense, is avoided through the system of taxation at source; both in Canada and in the United States, multiple taxation of income derived from companies is the rule rather than the exception. On this contrast—and on many other aspects of comparative taxation, Dr LaBrie has stimulating and provocative views to offer.

Shorter Notices

A FIELD GUIDE TO THE BIRDS OF BRITAIN AND EUROPE.

By Roger Peterson, Guy Mountfort and P. A. D. Hollom.
Collins 318 pages. 25s.

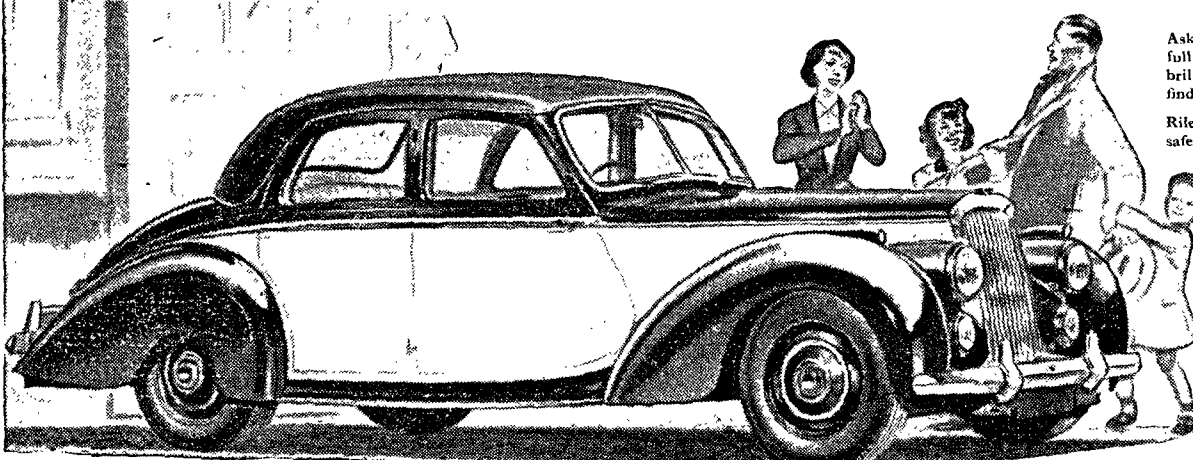
This small book, which would fit into a large pocket, aims to give a precise field identification of every species of bird occurring in Europe. It combines extraordinary comprehensiveness with simplicity and it is truly international. The illustrations are clear and bright. The birds are arranged according to the latest method of scientific classification of species, which may be more correct, but makes identification for the not-so-expert more difficult than in "The Pocket Guide to British Birds," by R. Fitter, in the same series. This places similar-looking birds on the same page, together with a silhouette of a sparrow, to show size. Nevertheless, with a pair of field glasses and a ticket to the continent, the new guide is well worth its twenty-five shillings.



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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.

Rallying Republicans

Washington, D.C.

WITH only nine more months to go before the next congressional election the Republican National Committee can be pardoned for seeing in last week's annual celebration of Lincoln's birthday an opportunity for demonstrating that President Eisenhower and the Republican leaders in Congress belong to the same political party. Unfortunately the net effect of the committee's efforts has been to revive acute party warfare at a moment most embarrassing for the President, and to provoke Mr Eisenhower into a thinly veiled rebuke of his leading supporters.

What adds peculiar point to the election in November is that, although there is a Republican President in office for the first time in over twenty years, the Republican party must avoid the slightest decline in its local voting strength if it is to retain a majority in the House of Representatives, and win one in the Senate. There the Republican position as majority party is purely fictional—the Democrats have one more vote—while in the House the Republicans at present hold only 219 seats, as against 215 held by the Democrats and one by an independent who inclines towards the Democratic camp. If they are to be in a stronger position in the next Congress, the Republicans will have to defy all the historical precedents which, except for that of 1934, are against the party in power gaining in a mid-term election (in which the presidency is not being contested).

The Republicans' main asset is the personality of the President and the remarkable fact that, after a year of not very impressive achievement, he seems to have retained most, if not all, of his original popularity. The tantalising problem that faces Mr Leonard Hall, the chairman of the Republican National Committee, and Mr Murphy, the chairman of the Citizens for Eisenhower movement, which sets out to rally fellow travellers for the Republican party, is how to translate Mr Eisenhower's prestige into votes for local Republican candidates.

It is at least obvious that, if President Eisenhower's supporters are to be asked to rally round the Republican party, then some effort must be made to show that the Republican party is rallying round President Eisenhower. This explains the warming affirmations of loyalty at the box supper given on Washington's largest ice rink by the National Committee in honour of President Lincoln and his heirs. "Let me make one thing clear," Senator Bricker shouted on this occasion, "there is not now, nor will there be, any split in the Republican party," and the President responded in his best impromptu manner with the Lincolnian appeal: "Let us lift our chins and our

heads, square our shoulders and walk right square into it."

This love feast was certainly not superfluous, for the political headlines since Congress returned to Capitol Hill last month have been filled with the obscure manoeuvrings over Senator Bricker's constitutional amendment, which is unacceptable to the President, and flat statements by Republican leaders that the President's farm programme and the recommendations of his Commission on Foreign Economic Policy, to both of which he attaches great importance, were dead before they were born. Mr Eisenhower may still be a hero to his country, but in an evenly-divided Congress he has the unqualified support of only a minority group in one party. The President, with the nation behind him, has still to convert the Republican party to his own brand of conservative liberalism; in spite of all the talk of a crusade, this can only be done by speaking the language of expediency to many who are pure conservatives out of deepest conviction.

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President Eisenhower believes that it is his programme which will win votes for the Republican party from outsiders in November; in putting it through Congress he and his advisers in the White House have already shown a considerable access of political skill in this session. The regularly wrecked project for American participation in the construction of the St Lawrence Seaway has passed the Senate, while the Bricker amendment is on the rocks. As the campaigning season approaches the President's schemes for better health and housing and the extension of the benefits and coverage of social insurance will look more and more like things that it is unwise to vote against. Even the programme for lower and more flexible farm price supports does not seem in quite such a sorry pass as once it was.

Mr Eisenhower has freely conceded that, if he is to achieve anything positive, he must be supported by Democratic votes in Congress. But during Lincoln's week the Republican party, in the course of applying to its own ranks Lincoln's injunction to speak and act "with malice toward none, with charity for all," went a fair way towards making that support impossible. There is no more cheering demonstration of party unity than a blow aimed at the enemy, and the Democrats, who have hitherto been somewhat left outside the political struggle, have now been brought violently back into the centre. Two major accusations have been hurled at them—that they are trying for party advantage to talk the country into an economic recession and that they are all guilty of treason by association.

It is undeniable that two of the most responsible Democratic leaders in the Senate, Mr Douglas and Mr Fulbright, have been using the hearings of the Joint Congressional Committee on the Economic Report to advance the thesis that if a serious recession is to be avoided something more must be done to increase the purchasing power of consumers. Mr Douglas has also challenged, with some success, the validity of the official figures for unemployment. These and similar arguments have provoked Mr Sherman Adams, the President's chief assistant, into a denunciation of the "political sadists" who were trying to launch a "Fear Deal."

Although Mr Adams's speech has been so deeply resented by the Democratic leadership in Congress that Mr Eisenhower has had to promise to restrain the language of his official family, the greatest offence has been caused by the campaign that is epitomised in the title of the series of lectures Senator McCarthy is at present giving throughout the country—"Twenty years of Treason." The President's remark at his press conference that the times were too serious to indulge in extreme partisanship throws a strange light on the specific endorsement of Mr McCarthy's tour by Mr Leonard Hall of the National Committee.

Mr Hall's basic difficulty is to make up his mind whether the Democrats and independents who voted for Mr Eisenhower in 1952 did so mainly because they wanted as President a war hero who would be above party, or because they wanted to protest against administrative slackness and alleged corruption within the Democratic Administration. If the first, the more the President is kept above party the better; if the second, the more attention that can be called to the "mess" the Republicans found when they came in the better. As is the way with political managers Mr Hall is evidently hoping to benefit by following both policies at the same time.

It might be just possible to do this balancing trick successfully if Republican orators could be restrained from slipping from accusations of administrative laxity into implications of treason; after all, many Democrats had a low opinion of their party's administrative capacity. But if Mr Eisenhower is not to see his programme wrecked by obstruction from the Democrats in Congress, Mr Hall will soon have to ask himself whether spokesmen such as Mr McCarthy, with his statement that "the label Democrat is stitched with the idiocy of a Truman, rotted by the deceit of an Acheson, corrupted by the Red slime of a White," do not constitute security risks whose careless talk might be easily confused with disloyalty to the man who is not only President of the United States but the titular head of the Republican party.

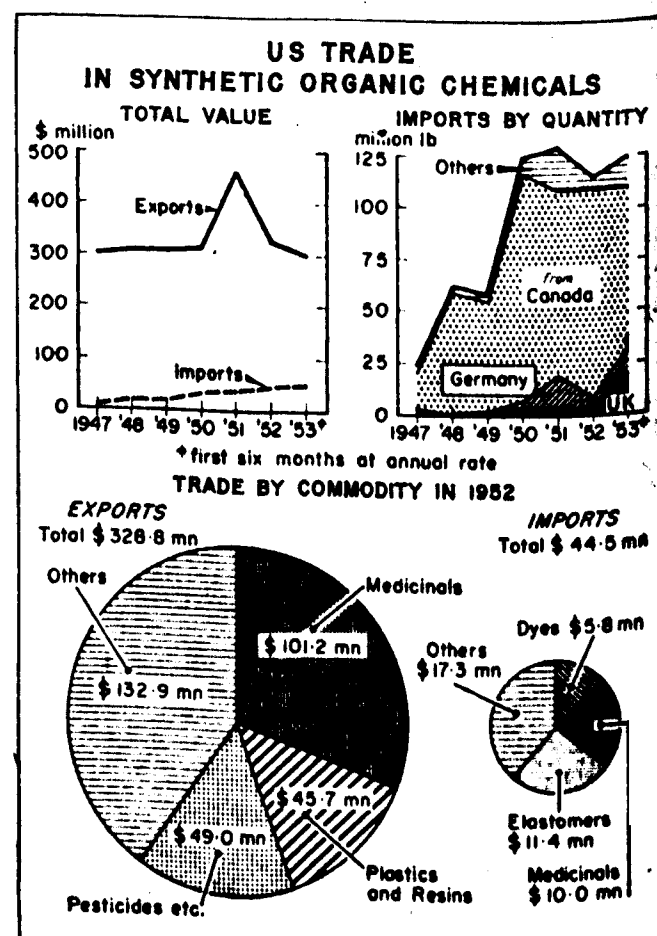
Chemical Protection

New York.

THE American chemical industry describes itself as "dynamic and competitive" and statistics support the description. Sales of organic chemicals were multiplied by ten between 1939 and 1952, while the real value of the gross national product merely doubled, and the industry's rates of profit are high. Imports have increased but there is no sign that they are causing unemployment and the United States has an important export trade in chemicals, particularly in medicinals. Although less than seven per

cent of the output of the chemical industry as a whole exported, some individual products are heavily dependent on foreign markets. The United States exports, for example, nearly one half of its production of DDT and over one fifth of its penicillin. Such an industry might be expected to be in the forefront of the movement for freer trade, but in fact it is leading the fight for more effective tariff protection.

This apparent paradox can be resolved only by examining



ing the chemical industry's structure and history. Chemicals are normally divided into two groups—organic and inorganic. The organic chemicals are compounds which, like plant and animal matter, contain the prevalent carbon atom. Almost all are derived from coal or petroleum, or from fermentation of agricultural products. Compounds that do not contain carbon, and are largely obtained from minerals and atmospheric gases, constitute the inorganic chemicals. The most important of these, such as sulphuric acid, soda ash, chlorine, and caustic soda, are also classed as heavy chemicals; they are produced in large quantities, and sold in bulk relatively cheaply.

Because of their low value in relation to their weight and cost of transport these inorganics have little difficulty in meeting import competition. The organics, on the other hand, include the whole range of fine chemicals—the more intricate compounds, made to grade and specification, in small volume at high unit prices. Dyes, resins, organic acids, solvents, plasticisers and medicinal chemicals—all are particularly vulnerable to competition from abroad, and it is therefore in this part of the industry that the most powerful protectionists are to be found.

The opposition to freer trade stems also from the circumstances in which the industry began. At the outbreak of the

first world war the United States discovered that it was almost completely dependent on Germany for its essential requirements of coal-tar intermediates, dyes, medicinals and other synthetic chemicals. Moreover, while dyestuffs are not direct war chemicals, the same plant, equipment, organisation and trained personnel is needed if TNT and other explosives are to be produced. The demands for self-sufficiency that resulted from this experience led to the rapid establishment, behind a high protective tariff, of a domestic synthetic organic chemical industry which freed the United States from its dependence on imports. Despite the increase in size and efficiency during the inter-war years, the protective tariffs were retained, partly in order to counteract the attempts of the German chemical trust to dump marginal production on the American market. The American industry is now concerned that the protection it has so long enjoyed should not be removed by reciprocal tariff concessions.

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The industry maintains that the effects of the substantial cuts in the American chemical tariff negotiated at the Torquay conference in 1951 have yet to be tested in a buyers' market; that, although the volume of imports in relation to exports may be small, imports have recently been rising sharply; and that, because of the interdependent nature of the industry's operations, even a small volume of imports of key synthetic organic chemicals may result in a critical weakness in time of war. Moreover the American chemical industry does not think that reciprocal tariff reductions would do much to assist its export trade. There is, with few exceptions, no reciprocal market in Britain and Germany for American chemicals, which cannot be sold in Europe at competitive prices. Furthermore, the expansion of American chemical exports to underdeveloped countries, which form a major market for American medicinals and agricultural chemicals in particular, is limited not by protective tariffs but by increasing price competition from lower cost European chemicals.

Finally, the American chemical industry, disturbed by evidence of dumping by European producers in the American market, and by reports of attempts to reorganise "good" cartels in Germany to stimulate exports, is now prevented by the anti-trust laws from taking part in any international market-sharing agreements to protect its domestic sales. As long as European chemical exporters employ multiple pricing practices to earn dollars, the American industry can hardly be blamed for demanding, as it does, not only the stricter enforcement of anti-dumping duties, but also the assurance of higher tariffs whenever existing duties fail to give adequate protection.

The industry rests its case for protection, as does any national chemical industry, on its essential contribution to national security; on its applications to medicine; on its dynamic role, as one of the major sources of innovation, in maintaining the growth and flexibility of the economy; and on the services it renders by providing a pool of trained scientists, vital in wartime, and by encouraging scientific training and research in universities and throughout industry generally. All of these valuable contributions would be eliminated, in the view of the industry, were it not granted immunity from import competition. This follows from the premise that, if the existing protec-

tion were removed or even reduced, the industry would not be able to compete, by using more efficient production methods, with lower cost imported products.

The production of synthetic organic chemicals is essentially a batch process, in which the productivity of the American industry is admitted to be no higher than that of the European manufacturers who were the original inventors of the method. This, especially in the production of dyestuffs, may involve as many as a hundred separate, consecutive steps, and it may take months before the entire batch has been processed. The cost, once the initial research has been completed, depends mainly on the cost of labour; since the United States has, in this case, no advantage over Europe in physical productivity, lower wage rates in Europe also mean lower wage costs. The disparity, it is argued, is so great that no conceivable increase in the efficiency of American manufacturers could enable them to compete with imports. But in this context the industry glosses over the contention, of which it makes so much when seeking domestic tax concessions, that its most substantial cost is the expensive, lengthy and often unremunerative research that must be undertaken before a new product or a new process becomes a commercial proposition.

It may be doubted whether, if the tariff were in fact reduced, the major chemical companies would go meekly to the wall without the most strenuous attempts to convert their batch processes to the continuous processes which have so much lower labour costs. The growth of petrochemical production, which utilises to the full the advantages of continuous process equipment, is an indication of the progress already made. But, while petrochemicals can provide mass-produced intermediates to replace coal-tar intermediates, batch processes are still required to convert these intermediates into finished products. Another, and probably more general, reaction to the removal of tariff protection would be for American companies to set up subsidiaries in Europe, to take advantage of low labour costs there, and export their output to the United States.

American Notes

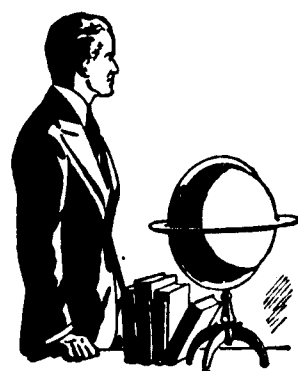
Exploiting the Atom

PRESIDENT EISENHOWER'S recommended amendments to the security provisions of the Atomic Energy Act of 1946 are linked not with his proposal for an international pool of atomic energy, which the Secretary of State has been discussing in Berlin, but with the fact that it is five years since the United States lost its monopoly of the atomic bomb. The legislation designed to protect that monopoly has no longer any point and it is preventing the United States from exploiting to the full the nuclear advantages which it still has—a great variety of atomic weapons and a near prospect of producing industrial power economically from atomic energy.

The President therefore wishes that the Act be extensively modified in order that more information on atomic matters may be given to the allies of the United States and

to private businessmen in the United States. He does not propose that this exchange of information should cover the actual manufacture of nuclear weapons, but only the tactical use of such weapons by other members of the North Atlantic Treaty Organisation. He himself was hampered when in charge of Nato's defence planning in Paris by his inability to give such information to military commanders from other countries. There is little doubt that, with the weight of his authoritative experience behind the request, Congress will be prepared to relax the restrictions in this respect. The President suggests that information about atomic weapons should be classified, from a security point of view, in the same way as information about other types of weapons.

With the weight of industry's desire to develop atomic reactors for peaceful and profitable purposes behind the request for permission for private firms to own fissionable materials, there is little doubt that Congress will allow this also. Such industrial participation in atomic development would not only save the taxpayers' money but would also hold out hope of reducing government activity in this business, which would be a welcome relief to Republican believers in free enterprise. But it is not so certain that Congress will be ready to permit friendly nations to have fissionable materials for industrial and research purposes, even though the President insists that the strictest security measures will be insisted upon. This presumably means that not all America's allies will be treated equally generously in this respect, or equally freely when information on atomic energy is made more widely available.



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Reassurance for Senators

THE Senate spent the first part of this week seeking reassurance on two questions of foreign policy—one of permanent and one of immediate concern. On the long-term question, that of the treaty-making authority of the President and the constitutional separation of powers, reassurance has been found in approving amendments, acceptable to the President, to Senator Bricker's original amendment. So far the constitutional changes voted by the Senate are superfluous but innocuous; the most controversial amendments, dealing with executive agreements, have not, however, been finally debated at the time of writing. It seems probable that in the end not only the Bricker amendment but also the amendments to it will be smothered by compromise and that the Constitution will continue as before.

One of the ways in which the President's constitutional responsibility for foreign policy is in practice restricted by Congress was illustrated by the Senate's concern over the immediate situation in Indo-China. For in order to reassure Senators who feared that the presence of an extra 200 US Air Force technicians there might involve the United States directly in that war, the Administration was obliged to state categorically that it has no intention of sending American ground forces to Indo-China or of getting deeply committed there. Such a definite statement can only have the result of weakening the anti-Communist front, for it cancels out the psychological effect of the dispatch of the technicians, which might have been even more encouraging to the French and even more deterring to the Communists than the practical help that they will give.

Guinea-pig in the Dairy

THIS week Mr Benson, the Secretary of Agriculture, shocked dairy farmers, and delighted Democrats who need farm votes next November, by proving that his bite is as bad as his bark. He announced that, when the new marketing year begins on April 1st, the levels at which the prices of butter, cheese and dried milk are supported will be reduced by the full amount permitted by law, from 90 per cent to 75 per cent of the parity prices which are supposed to ensure the farmer a fair return for his labour. Such a high-principled man as Mr Benson could hardly have done anything else; for dairy products, especially butter, are providing a laboratory demonstration of the unworkableness of the present system of high and rigid farm price supports, against which Mr Benson has been inveighing to Congress, and these perishable commodities are among the few to which, under the present law, can be applied the lower and more flexible price supports which Mr Benson advocates for general use.

Furthermore, when a year ago he continued their price supports at 90 per cent of parity, Mr Benson warned dairy farmers that this would be for twelve months only, while they worked out a scheme by which supplies of dairy products could be satisfactorily related to demand without government interference. A stabilisation scheme, of which

more may be heard, was produced at the end of November, but it included doubtful proposals for government protection against domestic and foreign competition. During the year of grace the excess supply of dairy products grew to proportions that dwarfed last year's supposedly unmanageable surplus. Some \$370 million worth is now in government hands, representing 8 per cent of the year's output of milk; milk production has been increasing and butter has been coming into store at the rate of 1 million pounds a day.

Schoolchildren refuse to eat as much butter as the department would like to give them free and housewives, of course, long since turned to the margarine which sells at about 30 cents a pound retail compared with nearly 80 cents a pound that is asked for butter. It remains to be seen whether the fall of perhaps 10 cents a pound which should follow the reduction in support prices will encourage domestic retail sales and discourage farm output enough to justify the President in maintaining, as he did in his agricultural message to Congress, that the present law is satisfactory as regards dairy products.

But even then there will still be the problem of disposing of the 270 million pounds of rapidly deteriorating butter which the government owns. Mr Benson hopes to make an announcement about these and other dairy surpluses before long, but admits that it will be difficult to get rid of them. One idea is that the storage butter should be given to retail traders for little or nothing, mixed with butter bought directly from farmers and sold at an averaged price. There are various other suggestions for making cheap butter available at home, which might then mean that there would be less objection to selling it abroad at cut prices.

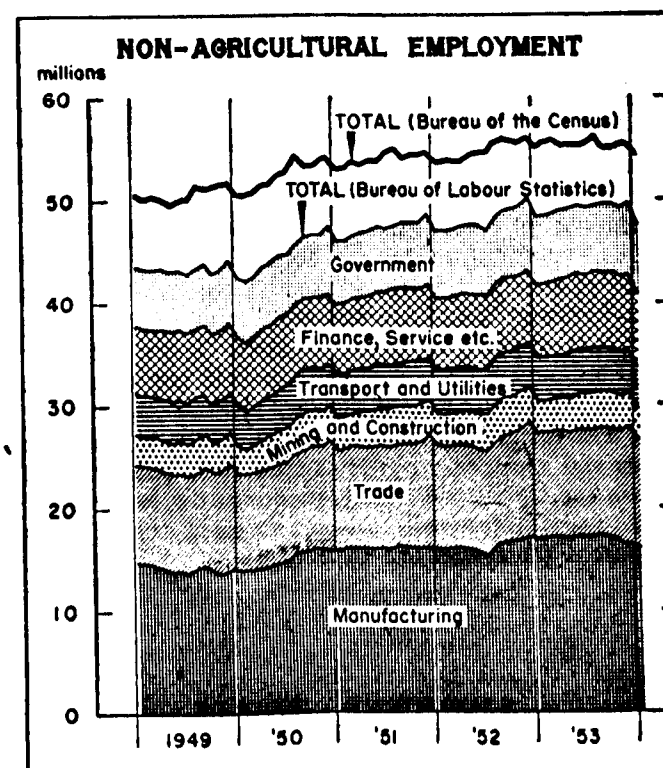
The proposal that butter belonging to the government might be pushed behind the Iron Curtain has been rejected, but it is still possible that export licences may be granted for farm products bought on the open market. Another scheme, for which butter may also be made a guinea-pig, is that work on American bases overseas, in Spain for example, might be paid for in surplus commodities. A longer-term plan for disposing of these commodities abroad, mainly in under-developed countries, without disturbing normal marketing patterns, is also being discussed by the Administration.

Unemployment Unconcealed

NO sooner had the Federal Reserve Board confessed that the decline in industrial production had been sharper than had been realised than the Department of Commerce announced that unemployment in early January had been worse than had appeared from the Bureau of the Census's official estimate of 2,358,000. The revised figure of just over 3 million is the result of a new method of computation which puts those out of work but not actually seeking jobs among the unemployed for the first time. The Census Bureau has always included people who are only temporarily laid off in the total of employed. This is one of the reasons why its figure for non-agricultural employment is higher and steadier than that of the Bureau of Labour Statistics, which bases its estimates on pay-rolls only; the Census Bureau also counts the self-employed, domestic workers and so on. The

BLS had already announced that, by its reckoning, the fall in non-agricultural employment between mid-December and mid-January had been unusually large and the deepest, for the season, since 1949. It estimated the drop at 2 million, while the Bureau of the Census had earlier put it at just under 900,000. Both bureaus, however, agreed that the average hours worked in factories fell markedly between December and January, which confirmed the existence of what trade unionists regard as part-time unemployment.

All these statistical revisions and second thoughts will reinforce the contention of Democrats and labour leaders that unemployment has been concealed and is more serious than has been officially admitted. But there is no doubt that the Administration is seriously concerned: at his press conference this week the President promised to take action if the usual seasonal improvement does not develop in March.



Comfort is, however, being taken from the recent falling-off in the numbers seeking unemployment pay for the first time. The close watch that the Administration is keeping on the situation, and its readiness to give help as soon as it is needed, have already been demonstrated by its speed in certifying as areas of substantial unemployment both Detroit, Michigan, and Toledo, Ohio, places especially close to the heart of Mr Reuther, the head of the Congress of Industrial Organisations, who is also head of the automobile workers' union.

This brings to 22 the number of areas where over 6 per cent of the labour force is unemployed and which are therefore entitled to preference, for what it is worth, in the granting of government contracts. The difficulties of Detroit and Toledo come from a simultaneous decline in both defence contracts and automobile sales. It may be that the labour force in the motor industry has been over-expanded and that alternative jobs will have to be found for some of these workers. This is a problem which has long faced the New England textile towns, where most of the other areas of officially recognised labour surplus are to be found.

Lorry-loads of Trouble

MOST state governments undoubtedly sympathise with Ohio's desire to make heavy motor carriers pay their fair share of keeping up the roads their loads do so much to destroy. But when Ohio imposed a new axle-mile tax on all lorries last month, and refused to exempt lorries from states with which it had reciprocal agreements, the back-fire was tremendous. Reciprocity is the basis of all interstate passenger and commercial road traffic; without such pacts, a car or lorry would have to be licensed anew every time it crossed into another state.

Ohio, however, lies across the stream of transcontinental traffic, and if it exempted out-of-state vehicles, which make up over half of those which use its roads, the revenue from the new tax would be nothing like the \$19.6 million a year which it is hoped to devote to Ohio's road system. Four states have authorised retaliatory taxes and these are already being collected in two. Kentucky, for example, now requires a \$300 licence fee for each lorry registered in neighbouring Ohio which crosses its boundaries. Fourteen other states are preparing to break off their reciprocal arrangements with Ohio. If they do so, Ohio's carriers will have a choice of moving out or going bankrupt.

Ohio's troubles are not all out-of-state. There is the threat of a strike by owner-drivers in the state who lease their lorries to large firms and are determined not to pay the tax themselves, as the law requires. It does not seem possible that Governor Lausche can hold out against the risks of isolation and the breakdown of the smooth flowing road transport which carries so many products of America's farms and factories. Motor carriers fear, however, that Ohio's experiment will merely encourage the hard-pressed state governments to collaborate on means of exacting more tolls from those who use their roads.

SHORTER NOTES

The contradictions in the Interior Department's awards of contracts for power generating equipment to foreign firms has been illustrated again. After turning down the bid of an Austrian firm for the contract for a transformer at the Bonneville dam in favour of a much higher bid from an American firm, the department then awarded the Austrian company the contract for transformers of another type for a hydro-electric project in the Missouri basin. It is understood that the State Department was concerned at the effect the rejection of these foreign bids would have on opinion abroad.

The Supreme Court has decided that after all it must rule on whether the prices at which natural gas is sold by producers to the pipeline distributors is subject to federal regulation. The Federal Power Commission is relieved at the decision, for the ruling of a lower court, requiring it to regulate these prices, gave it a responsibility that it was reluctant to assume, and set many complicated legal problems for the natural gas industry itself.

The main qualification of Mr Robert E. Lee for the membership of the Federal Communications Commission, in which he has now been confirmed, rather unenthusiastically, by the Senate, seems to be his friendship with Senator McCarthy. An accountant by profession, his only experience of wireless, for which the FCC is responsible, has been as moderator of "Facts Forum," an extremely right-wing programme that is financed by a Texas oil millionaire who is also a friend of Mr McCarthy.

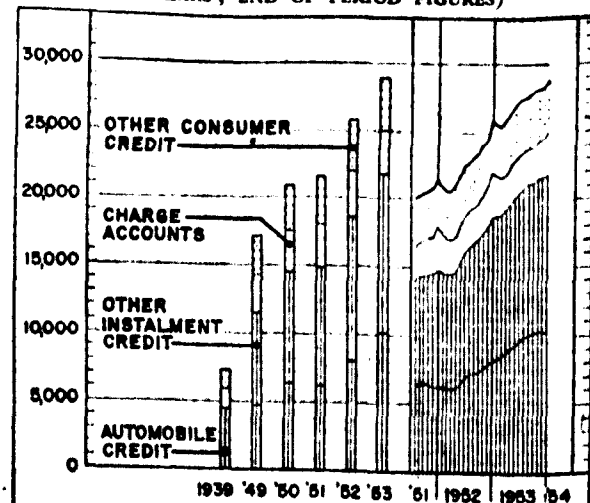
Congress has passed a Bill creating thirty additional federal judgeships. The new appointments are much needed in themselves, but they will also offer Republicans much-needed opportunities of rewarding their friends.

A special census, for which the federal government had to be paid, has given Los Angeles the satisfaction of being able to claim that it is the third largest city in the United States, with a population of 2,104,663. Philadelphians may now ask for a special count too, for in 1950 their city, with 2,071,605 residents, had pride of place after New York and Chicago; it is arguable that natural population increases since then have kept Philadelphia ahead of Los Angeles.

The Office of Defence Mobilisation has set a goal of 37,500 tons a year for expansion of titanium smelting capacity, to be reached by 1956 with the help of special amortisation allowances for tax purposes. Present titanium smelting capacity is 7,680 tons a year, and the goal for titanium sponge, to be processed in these smelters, is at present 25,000 tons a year.

CONSUMER CREDIT OUTSTANDING IN THE UNITED STATES

(MILLION DOLLARS; END OF PERIOD FIGURES)



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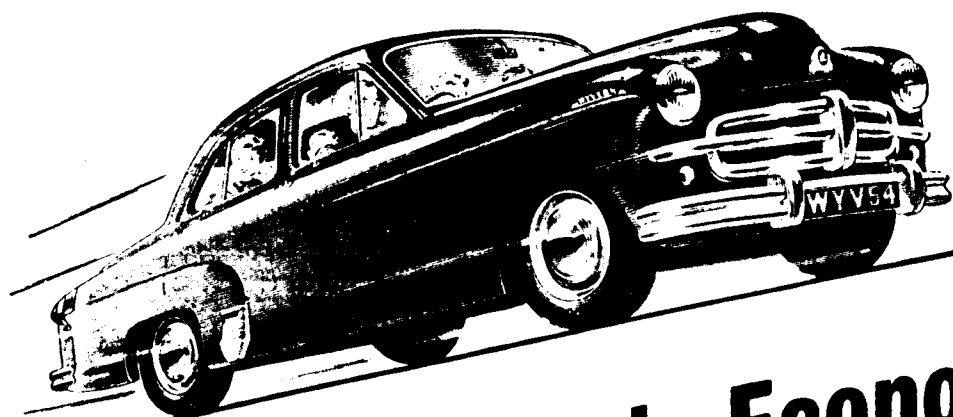
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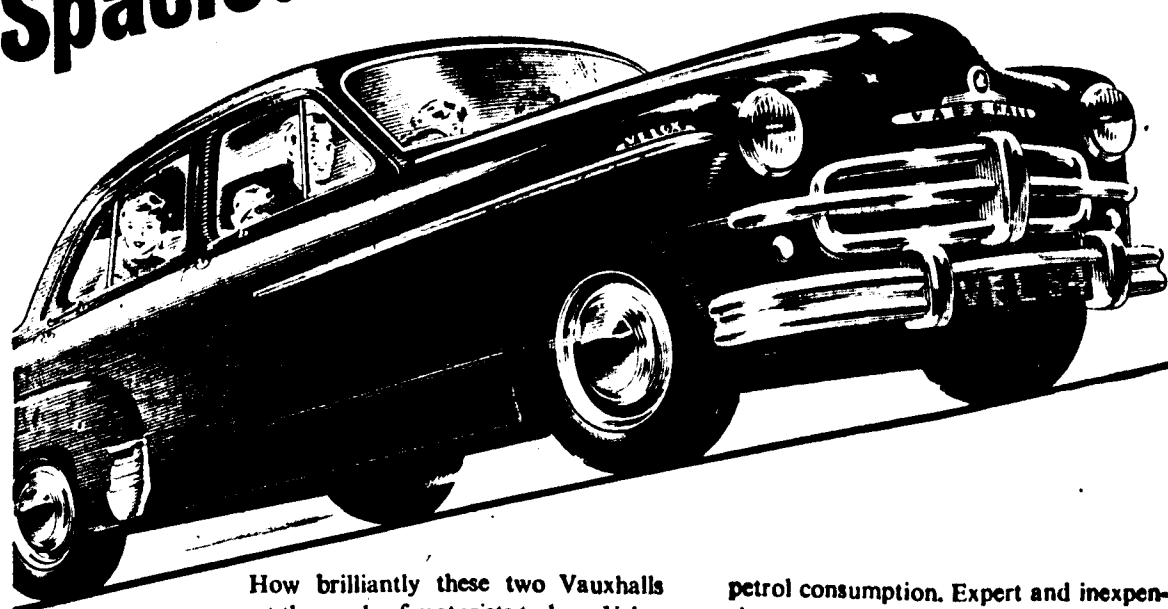
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The World Overseas

Cocoa Coast

FROM OUR SPECIAL CORRESPONDENT

THE Budget Session of the Gold Coast Assembly, which has opened recently in Accra, is one of more than ordinary interest. It is the last to be addressed by a British Minister of Finance. After June, the new constitutional developments call for an African Minister to take his place. At the same time it is the last session of Dr Nkrumah's three years of apprenticeship. On the showing of the last three years, the prospects of future African control must be judged. It is true that the African Ministers have enjoyed the guidance of the Governor and the constant assistance of three British Ministers and of senior British officials. Yet the decisions have been in the main African decisions. No policy could have been forced on the African Ministers if they had been unwilling to pursue it. The record of the last three years is therefore the best available index of what lies ahead.

The economy which the African cabinet will direct is in most ways typical of the world's under-developed tropical belt. On the one hand, it is still a highly inelastic economy. Increasing purchasing power does not lead readily to increased production in either agriculture or industry. In fact, in agriculture increased earnings can even decrease production. On the other hand, it is in the main a single crop economy. The value of exports between January and November last year was £79.7 million. Of this, cocoa provided nearly £50 million. Manganese exports at some £8 million and gold at £8.5 million are important commodities. Timber is rising—to over £5 million—and although returns from diamonds have fallen, they still bring in over £3 million. But cocoa is the decisive crop. Its influence can also be measured in the revenue figures. In the 1954-55 estimates, cocoa duties account for over £15 million in a total tax revenue of £35.5 million. All import duties put together only amount to just under £12 million, income tax (in the main company taxation) to £5.4 million.

The most startling index of cocoa's supremacy, however, lies in the Gold Coast's capital reserves. The total sterling balances of the Gold Coast on September 30, 1953, amounted to £158.5 million. Of these, the currency reserve is held at £33.29 million and government investment and short term funds cover £41 million. But the Cocoa Marketing Board has accumulated, in investments and short term funds, the sum of £70.6 million.

The combination of an inelastic economy and dependence upon a single crop has brought difficulties and disasters to many economies in recent years. The price of cocoa has

been, like other primary commodities, far above prewar levels. The following table shows how far.

FLUCTUATIONS IN COCOA PRICES PER TON
(Calendar years)

	£		£
1930-9	24	1949	129
1940-5	25	1950*	204
1946	50	1951	263
1947	136	1952	248
1948	197	1953	229

*Post-Korean price.

The immature Gold Coast economy has therefore been faced with all the risks run by similar one crop countries. If it permits the whole, or a large part, of the enhanced purchasing power to flood into a community whose local supplies of food and materials cannot be rapidly expanded, the only result is drastic price inflation. In his speech opening the Budget Session, the Minister of Finance quoted examples from Ceylon, Cuba, and Malaya of the inflation that has followed increased prices of their main exports. Nor is it a hazard to which only backward economies are exposed. It recently occurred in Australia.

It can be argued that inflation may be checked provided massive supplies of consumer goods are imported to mop up local demand. This policy, however, has the effect of establishing standards of living and consumption far above the country's capacity to maintain in any but abnormal years, and, moreover, encourages a tendency which is already the greatest obstacle to long-term economic advance in backward areas—their propensity to consume on a western scale before they have learnt western habits of work and production.

Above all, neither a policy of letting the purchasing power flood in nor of using imports to boost local standards of consumption is any guarantee against extreme and continuing instability in the economy as a whole. The community follows the trend of world prices up and down and, in the words of the President of Cuba, quoted in the Finance Minister's opening speech, the economy "goes from abundance to sadness, from joy to misery" with the changing pattern of world demand.

The correct policy for under-developed areas in times of prosperity has been outlined in report after report issued by every authority interested in world development. The government must appropriate as large a share as possible of the purchase price for its main commodity and set it to

reserve for capital development and for contingencies such as subsequent falls in price. The local price should be no more than is needed to stimulate efficient production. The "unearned increment" above that figure, which represents not the farmer's efficiency or productivity, but the hazards of world demand, should be earmarked for the community. The golden years of high prices should be harvested not for current consumption but for the future.

There is equally no secret about the reason for the failure of virtually all governments to follow this precept. High consumption and high local purchasing power are politically very attractive. The voter would rather spend his money freely at once even if the consequence is that this money will lose half its value a year hence. Inflation, high consumption, low reserves—this is the almost universal pattern of recent years. The significant feature in the Gold Coast is that a new, untried and largely African government has had the foresight and the courage to follow the opposite path, and to base its entire cocoa policy upon the stability of local prices and local consumption and the building up of capital reserves for development. While the local price of cocoa has been held between £140 and £160 a ton, the balance over and above this figure has been retained by the government either in the shape of the cocoa duties or else in additions to the reserves held by the Cocoa Marketing Board.

Testing Time Ahead

The Gold Coast is a community of only 4½ million inhabitants. To be able to spend, in four years, about £70 million on development, all drawn from the country's own earnings, is an unparalleled achievement and one which would have been impossible if the Prime Minister and his colleagues had not continued to resist steady local pressure for higher cocoa prices for the farmer and greater spending power and import programmes for the public at large. The decision to maintain the same restraints on the internal price of cocoa and to place the same large sums to reserve for development will require quite especial courage in 1954. The forward price of cocoa has risen to an astronomical figure—over £400 a ton—and a general election is to take place in June. The temptation to bribe the voters with a short-term advantage and let the ultimate risk of price inflation run its course is only too obvious.

The achievements of the government in the past three years do not, however, give any grounds for complacency. Challenges as testing to the Gold Coast leaders' good sense and initiative lie ahead. Cocoa so far has not followed other commodities in a downward trend. Some of the Gold Coast's prosperity this year is due to a ten per cent fall in its import prices and the maintenance of high demands for cocoa. Yet a glance at the table of cocoa prices shows clearly that future fluctuations cannot be ruled out. Moreover, in spite of genuine courage in enforcing the cutting out of cocoa trees infected with swollen shoot, the government has not yet found means of increasing the standards and the productivity of the cocoa farmer. If quality is not improved and production maintained, other world producers of cocoa may ultimately take the Gold Coast's place.

This issue of raising local productivity is crucial over the whole field of the economy. At present in a budget expenditure estimated at £40 million, fixed charges for administration and for ambitious schemes for health, education and other social services, absorb about £25 million. This is recurrent expenditure which will tend to rise as the

economy develops. The annual expenditure on basic development runs at just under £15 million, and is virtually equivalent to the revenue earned from cocoa duties. In other words, all sources of revenue, save cocoa, which is a fluctuating factor, are absorbed by fixed charges. There is a risk of dangerous rigidity in this relationship, and it is the chief reason why, in the new development plan which is due to begin in 1956, and is already under consideration, the chief emphasis must be put on forms of development which directly increase revenue.

Diversity Through Industry

One of the main reasons for local interest in the Volta River project is the belief that to develop a strong aluminium industry for export will diversify the economy and greatly increase the range of its wealth-producing activities. Yet it is in these fields—in expanding export industries and local industrialisation, in domestic food production, and in the expansion of transport, electricity and ancillary services—that some of the main weaknesses of an immature economy are likely to be encountered. Public utilities and services are, perhaps, not too great a problem provided the local cost of labour can be held steady, and outside contractors show reasonable standards of efficiency; but in agriculture, the government is at the mercy of the local farmer and of his efficiency and willingness to learn. In industrial expansion, the government's programmes are handicapped by the dearth of local managerial experience, and by a still widespread and surviving doctrinaire suspicion of foreign business investment and enterprise.

Today it can be said that by its courage and foresight the Gold Coast government has created the pre-condition of expansion. It has saved capital and reserved it for investment. Now the challenge is to find the actual working instruments of development. These lie in creating a new pattern of work and efficiency in the domestic community. They lie in high and honest standards of administration and the retention of British officials during the transitional period. They lie in working out terms of reasonable partnership with foreign enterprise.

OEEC Takes Stock

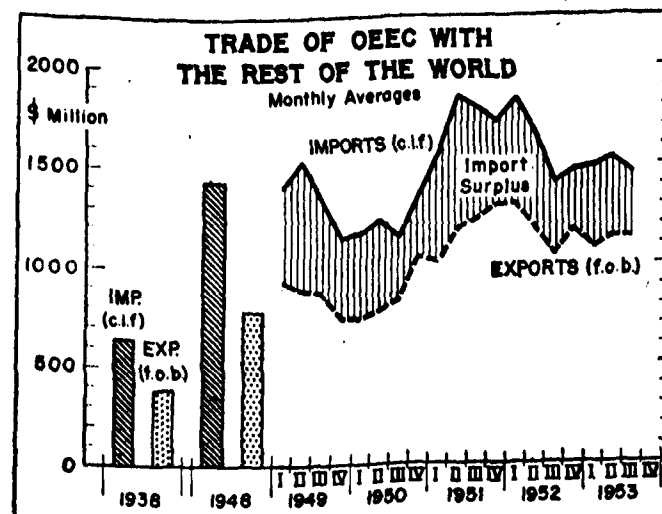
PROGRESS reports of the Organisation for European Economic Co-operation are not written by prophets or by economic dictators who can impose their own policies. They are the work of economists or civil servants from various countries who by reason of their "international" standing are able to take a somewhat detached, global view of things. As such their annual diagnoses and recommendations, made on the basis of member countries' detailed reports, are always interesting.

In the fifth OEEC report* now published, the whole argument of the introductory chapter springs from the conclusion that the West European economy has clearly emerged from the inflationary phase. Since the beginning of 1952 prices have tended to move down rather than up. Western Europe's balance of payments has improved considerably and the gold and dollar reserves of member countries rose to \$10 billion by last September. Against

*Progress and Problems of the European Economy. Fifth Annual Report of the OEEC. (Including reports on individual member countries.)

this must be set the continued stagnation of industrial production. If by mid-1953 combined industrial production was slightly higher than in the corresponding period of 1931 this was almost exclusively the result of West German expansion. Hence the chief immediate objective emphasised in the report is to spur the economies of other countries to higher rates of production.

Previous headaches have not been forgotten. Expansion, it is stressed, should not endanger internal financial stability and the dollar problem, which is a structural one, is far from being solved. No lasting progress, however, can be made towards balancing Europe's accounts unless its industrial capacity is stepped up and modernised. True, in 1952 and in the first half of last year Western Europe's balance of payments showed a slight surplus not only with the whole world, but with the United States as well, and in the first six months of 1953 it had no deficit with the dollar area as a whole. But the improvement, camouflaging the structural dollar gap, is largely due to temporary seasonal factors. The terms of trade moved in Europe's favour. A bumper crop has made it possible to cut food imports. Industrial stagnation itself has proved of some "help"; for with industry expanding at a slower rate than in the



United States, there has been a fall in imports from, and a rise in exports to, America. To cap it all there was the growing American military expenditure in Europe.

It is estimated that without a conscious policy to change the present pattern of development the current trends should continue in the near future. The American net military expenditure abroad is expected to rise from about \$2.5 billion in 1953 to \$2.1 billion in the first six months alone of the current year. Since no great changes are foreseen in either internal or external demand Western Europe would probably continue to build up its reserves while industrial production would go on stagnating. Yet it is clearly impossible to build a healthy economic structure on the prop of permanent American military aid. Some of the extraordinary American expenditure is scheduled to be cut in two or three years' time and Western Europe may wake up one day faced with a dangerous new crisis.

The disequilibrium is deep rooted and the real dollar gap cannot be closed overnight, but the only way to do so is through the development of European productivity and efficiency, through preparation for competitive conditions and the building up of alternative sources of supply. For this purpose it is necessary to expand European production,

to stimulate investment and direct it into productive channels. This is likely to result in a temporary worsening of the balance of payments and a fall in reserves, but the risk is small and it is worth taking. Concerted action by the member countries should in fact limit the risk. Few would advocate a "Malthusian" solution and quarrel with the report's advice that the primary need now is to encourage and direct investment, though more could have been said about the difficulties of that task.

There is some duality in the report's treatment of outside threats to European development, or rather a change of emphasis: at first a warning is issued about the dangers of American instability and then in the following pages this is played down. The report stresses the "multiplier" effects on European trade of a fall in American production, recalls the experience of 1949 and 1938 and concludes that "grave repercussions could result from even a minor fluctuation in the United States." But even among those who are confident about Washington's ability to cope with a dangerous situation, few would dismiss the risk of small fluctuations. It would therefore have been worth while to devote more space to an analysis of measures to be taken in such an event. True, concerted encouragement of home demand and expansion would then become even more imperative. But even if the idea of a storm is dismissed more thought could have been given to ways of calming dangerous waves.

Fears for the French Army

FROM A CORRESPONDENT IN PARIS

THE Berlin conference has provided fresh arguments both for opponents and supporters of the European Army. Opponents find a new weapon in M. Bidault's speeches setting out the Western view that a reunified Germany should be free to leave the EDC. Supporters reply that Mr Molotov's renewed intransigence makes Four-Power agreement over Germany's unification as unlikely and remote as ever. Still, the danger of seeing the rearmament of Western Germany withdrawing from the European Army and becoming the nucleus of a new independent *Wehrmacht* adds fresh point to one of the big objections against the Paris treaty in France; that it would destroy the French national army without really preventing the rebirth of a German one.

Even when it is not specifically put forward, this objection is inspiring most right-wing hostility towards the Paris treaty. The Army is so closely linked with France's glorious past, and so many hopes were focused on it after the national collapse, that it seems a crime to throw it into such a hotch-potch as the European Army appears to those with only a superficial knowledge of the treaty's complex articles. Frenchmen may well jest about their Colonel Blimps as much as, or more than, any other nation, but they cannot remove the stamp imprinted on each of them by military service either in peace or in war. There is a much longer tradition of compulsory military service in France than in Britain or the United States. Most inveterate French tax-evaders would be ashamed to evade military service, at least in time of war. Would this feeling remain as strong if the French national army disappeared?

For many the army is not only one of the pillars of the French State; it is the French nation itself, the "Nation in Arms"—a symbol of French unity. True, its prestige was at stake in the great controversy during the Dreyfuss case, but the first World War showed that this had not destroyed France's devotion to its army. The question now is whether France's present reconstruction can be fully achieved and France's self-confidence restored without a national army, complete with its own traditions, flag, uniforms, military schools, or without its men and officers speaking their own national language and undergoing the same specific training methods.

First of all, what will change in the status of the individual French soldier or officer when he is incorporated into the European army? A recruit will see no difference at the beginning, when he rejoins his regiment in Metz, Nancy, Strasbourg or any other garrison-town. He will be a French soldier among other Frenchmen in a French regiment. All national traditions can easily be preserved, as not only each regiment but each division (or *groupe ment national*) will escape integration, which will begin only at the army corps level. Thus, in manoeuvres or in time of war, he will fight side by side with his compatriots. There should be no language difficulty so long as he is only in touch with his own division's men or officers. Even his division's staff officers will receive their orders in French, since the language used in orders will be that of the recipient. His general's reports will be given in French too; if necessary they will be translated by the army corps' integrated staff. *Espirit de corps* will be maintained within the division as well as within the regiment.

The question of uniforms is important from a sentimental point of view. A French *chasseur à pied* or *chasseur alpin* is as proud of his dark-blue uniform as a Highlander of his kilt. But much has already been changed since the last war. The battle-dress will be the same in all the units of the European army, though parade uniforms may differ at first as no precise time-limits have been fixed for standardising them. And even when this stage has been reached, nothing will prevent national divisions from wearing a national badge on their European uniform. It should also be possible to introduce special badges for the *chasseurs* and *tirailleurs*, and even regimental badges.

The Real Cause of Fear

Training methods and regulations will not be changed in regiments or divisions any more than they were for those included in Nato forces. NCOs' and officers' schools, such as *Saint Cyr* and *Saint Maixent*, will remain national. Only two things will gradually change. First, there will be a tendency to harmonise their curriculums. Secondly, at the end of each yearly period, French cadets will meet some of their Italian, German, Belgian and Dutch colleagues in European training camps, where mutual understanding can be developed. The specialised schools for artillery, cavalry or engineering officers will also gradually be made inter-European. The staff officers' schools will be internationalised from the beginning.

It thus appears that the French or other units of the European Army will not actually be denationalised as some of the opponents of EDC pretend. There is, of course, a special problem for France. Because of its special responsibilities overseas, it will keep not only a national navy, but also national land forces to be used in other parts of

the French Union. No fundamental difference of spirit between these national forces and the French units in the European Army is to be expected. Moreover, nothing will prevent France from transferring within reason soldiers as well as officers from its overseas forces to its European units and *vice versa*.

The unity of the French officers' corps will be preserved. Appointments and promotions within the European army are to be made by the national governments according to proposals submitted by the supranational Board of Commissioners, which in turn will need unanimous approval from the Council of Ministers for the appointment of any high-ranking officer. Thus, each member state will be able to look after its proper representation in the integrated staffs of army corps and armies as well as in the combined general staff.

France, it is true, as well as the other members of EDC, will lose part of its budgetary control over the armed forces. Within the framework of the budget approved by the Community's Assembly, it will be the prerogative of the Board of Commissioners to distribute expenditure between the Community's forces. The French Parliament will only be able to vote *en bloc* the yearly lump sum which France is to contribute to the European Army. This is a very important restriction of parliament's rights. But it is not likely to alter the nature and traditions of the Army.

The argument, therefore, that the integrity of the French Army is threatened looks less important on analysis than the fear of German predominance in the EDC over a France weakened by the Indo-China war. British and American guarantees are not as binding as the French parliament would wish and therefore fail to counter the overwhelming distrust of Germany. This is why any British or American insistence on EDC immediately raises acid reactions in French political quarters. It would be so much easier for a French soldier or officer to serve under a British than under a German general.

The Soviet Economy

STALIN'S death has clearly brought about changes in Soviet economic thinking. Not so long ago it would have been a deadly sin to put the main emphasis on the production of consumer goods. Now this is the official slogan of the government and party and the new line is illustrated in the latest annual report of the central planning board. It is claimed that in the second half of 1953 the output of light industry was 14 per cent higher than in the corresponding period of the previous year and for the first time its growth outpaced that of the heavy branches. Previously there has been a strong bias in favour of basic production and though the gap was narrowed when the current Five Year Plan (1951-55) was proclaimed in 1952, heavy industry was still scheduled to lead the way. Soviet indices of industrial production must be taken with a grain of salt, but the shift remains none the less significant.

Has the plan drawn up in Stalin's lifetime been radically altered? Have the emergency measures to step up the output of light and food industries and to expand rapidly the supply of consumer goods slowed down the development in other sectors? It is still too early to judge the full impact of the new policy and the extent of the shift in

engineering cannot be gathered from published statistics, but there has clearly been no major revision in the plans for basic expansion. True, last year the rate of growth in pig iron and rolled steel somewhat slackened and coal extraction again lagged behind. If the present rate is maintained, however, only coal and oil will fail to reach their 1955 objectives.

National income last year rose by 8 per cent against an increase of 11 per cent in 1952. It is claimed that a larger share of the cake went to the consumers and the government's slice was somewhat reduced. The volume of state capital investment increased by only four per cent compared with a rise of six per cent in the previous year. This may appear strange at a time when there is apparently a great flow of capital into light industry. The only significant outlet for investment to have disappeared from the report are the so-called "Great Projects" of electrification and irrigation. In Stalin's time publicity about work on the dams and canals on the Volga or in Central Asia served as a smoke-screen distorting the real picture. Now, the canals are still needed, but a smoke-screen is not so indispensable. It is also possible that the amnesty has deprived the managers of some of their slave labour and that as part of the new line Stalin's pet projects have been put further down on the priority list. On the whole, however, Stalin's successors seem to be in an optimistic mood as if they were capable of carrying out the dead master's plans and the drive to produce more consumer goods as well.

SOVIET LIVESTOCK
(Million head)

	Horned Cattle	Of which Cows	Pigs	Sheep and Goats	Horses
Jan. 1953.....	56.6	24.3	28.5	109.9	15.3
Oct. 1953.....	63.0	26.0	47.6	135.8	16.2
Oct. 1954 plan ..	65.9	29.2	34.5	144.4	...

Housing is one domain in which the Soviet citizen sees little hope on the horizon. There is no sign as yet of a special campaign to eliminate urban and rural overcrowding. Last year 28 million square metres of floor space were laid down in the towns: this is only one million more than in 1952. The average Soviet town-dweller still probably does not possess more than four square metres of floor space. On the other hand, there has apparently already been a great improvement in the supply of consumer goods. Indeed, there is a disconcerting discrepancy between the rise in production and retail sales, particularly of foodstuffs. Thus, for example, output of butter and meat rose by 3 and 12 per cent, respectively, and their retail sales by 36 per cent. The government must have been running down its stocks, hence its new interest in foreign consumer goods and foodstuffs.

Agriculture has been the main headache of the new regime. While discipline, relaxed after Stalin's death, was quickly reimposed in the towns, the task proved apparently more difficult in the countryside and Beria was made, among other things, the scapegoat for peasant restlessness. This restlessness may have contributed, together with bad weather, to a generally poor harvest. The grain crop was smaller than in 1952—when it amounted to 130 million tons in the inflated "biological" computation—and the

target of 180 million tons by 1955 now appears completely unrealistic. The total area under cultivation increased by 1.4 million hectares and the wheat area by 2 million hectares, and thus there must have been a drop in yield. The potato crop was also poor, but the harvest of cotton, sugar beet and vegetables was apparently better than in 1952.

The policy of incentives for the collective farms and the peasants themselves was only launched in the second half of 1953, and its effects will really be felt only this year and next. It is therefore astonishing that great successes have already been claimed for livestock breeding, particularly for pigs.

The campaign to foster agricultural development goes on unabated. Congresses of delegates from the State farms and machine tractor stations were recently held in Moscow and the publicity surrounding them overshadowed the Berlin conference. The fulfilment of Malenkov's pledge to the consumer will largely depend on the success of his agricultural policy. Last August he was careful to ask for "two or three years" to meet his pledge, but at the end of this year it should be possible to gauge his chances of success.

Crisis in Kazakhstan

THE wave of purges that has swept the Soviet Republics since Beria's fall has now reached Central Asia. It is confirmed that both the first secretary, Shayakhmetov, and the second secretary of the Communist party, and the premier of the huge though sparsely populated Kazakh Republic have "been relieved of their functions." The crisis must be acute, for two important personalities were sent from Moscow to take over the party jobs: P. K.



Ponomarenko, Soviet minister of culture and former member of the Presidium, and L. I. Brezhnev, once a member of the All-Soviet secretariat and recently political head of the Soviet navy. Such national leaders are not given local jobs in a republic unless matters are serious.

The chief reason for the change is said officially to be the failure of the former rulers to cope with the agricultural situation, but political considerations must be tied up with economic ones. Kazakhstan, with an area about 11 times

as large as the British Isles, is in size the second of the Soviet Republics. Though its population is under seven million, it has rich resources and great possibilities. There is plenty of coal in Karaganda, oil around Emba, and the biggest Soviet reserves of copper, iron ore, non-ferrous and precious metals are in the republic. There is also great scope for agricultural expansion. Vast plans were drawn up for raising the cotton crop and increasing the already important sheep flocks on irrigated land. It is the leaders' inability to carry out these plans that is put forward as the cause of their downfall. A failure of Kazakh supplies would certainly be a great blow to Nikita Krushchev's crucial plans for Soviet agricultural expansion.

Yet this cannot be the complete explanation. Before Stalin's death similar accusations of "nepotism" and insufficient attention to communal stock were already being made; but first secretary Shayakhmetov managed to weather the storm, even though "nationalist deviations" were then included in the indictment. They may well be the reason for the present purge. Russians and Ukrainians now account for about one-third of the population, the Kazakhs—Moslems of nomadic origin—still form the majority, and they have often been accused of pan-Turkish, pan-Iranic tendencies. Their "deviations" may have been encouraged during the first months after Stalin's death, and tough customers have now been sent from Moscow to suppress them once again. There are many obvious links between the new appointments and Beria's fall; and the wave of purges has clearly not yet run its full course.

Berlin in Brief

(The conference entered its fourth week)

FEBRUARY 11th. A restricted session at which the four ministers discussed item 1 on their agenda dealing with the calling of a five-power conference.

February 12th. After a further restricted session in the morning, the ministers turned to the third item on their agenda—Austria. The Austrian Foreign Minister, Dr Figl, appealed for a speedy conclusion of the Austrian State Treaty, and asked that the economic clauses of the draft treaty should be reconsidered and made less onerous. Mr Molotov then made the following proposals:—

(1) The four deputy ministers should be instructed to complete the draft treaty within three months.

(2) A clause should be added to the treaty obliging Austria (a) not to enter any coalition or military alliance directed against any power that fought against Germany; (b) not to allow any foreign military bases on its territory and to exclude all foreign military instructors and specialists. The four powers would undertake to observe this article.

(3) The occupation troops would remain in Austria (but not in Vienna) until the German peace treaty is concluded "in order to prevent any attempts at an *Anschluss*" between Austria and Germany. They would not perform occupation duties and their status would be regulated by a special arrangement.

(4) Austria could pay the \$150 million to be paid to the Soviet Union in place of the former German assets in Austria in goods instead of in convertible currency.

(5) The deputies should also consider Trieste in the light of the Soviet proposal that it should not be used as a military base.

Mr Eden proposed that the Ministers should try at once to complete the draft treaty.

February 13th. M. Bidault and Mr Eden both said that they would accept the Soviet version of the five outstanding articles of the draft treaty. Mr Eden added that this offer was valid only during the present conference, and was made on condition that agreed articles were not reopened; but he accepted a new Soviet version of an agreed article on denazification.

February 14th. Mr Dulles formally proposed that the Soviet version of all unagreed clauses in the Austrian draft treaty should be accepted and that the treaty should be signed on the last day of the conference, February 18th. He was supported by Mr Eden and M. Bidault. The Western Ministers also offered not to ask for the revision of the economic clauses of the treaty if Mr Molotov would not reopen any of the agreed clauses. Mr Molotov offered to drop his proposal that the draft treaty should go back to the deputies; he also suggested that Trieste should go to the Security Council instead of to the deputies. He then offered to sign the draft treaty, but with the addition of a clause incorporating his proposals of February 12th. Dr Figl said he could accept the draft treaty, but he had no authorisation to accept Mr Molotov's amendments.

February 15th. In the morning, in restricted session, the Ministers discussed a conference on Far Eastern questions. In the afternoon the Ministers again discussed Germany and European security without making any progress. Mr Molotov offered some minor amendments to his security plan, but these did not remove the basic western objections to it.

February 16th. The meeting was devoted to Austria. Dr Figl, the Austrian Foreign Minister, on behalf of his government, refused to sign a treaty if it meant the retention of foreign troops on Austrian soil. The Western Ministers tried in vain to get Mr Molotov to sign the draft treaty as it stood. Mr Molotov suggested that if foreign troops were retained in Austria after the signature of the State treaty, the four powers should agree to reconsider the question "not later than in 1955"; this modification was unacceptable both to Dr Figl and to the Western Ministers.

February 17th. In the morning the Ministers met again in restricted session to discuss item 1 on their agenda. At the afternoon session Germany and European security were again discussed. Mr Molotov said that his security proposals were an alternative to EDC, but suggested non-commitally that Nato might not be incompatible with them. He also proposed:—

(1) that the four powers should reach agreement on the relative strength and armour of the police forces in West and East Germany;

(2) that they should recommend to the German authorities in East and West Germany that they should set up two all-German committees, the first to agree and co-ordinate in the fields of commerce, settlement of accounts, transport frontier and other economic matters, and the second to deal with cultural, scientific and sports relations.

The Western Ministers reserved their reply.

February 18th. As *The Economist* went to press the Ministers, in restricted session, were discussing a five-power conference and later, in open session, Germany and Austria.

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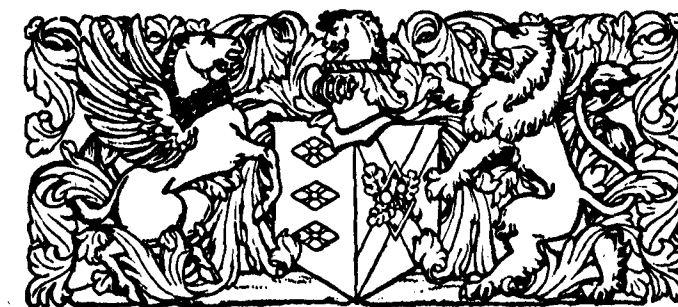
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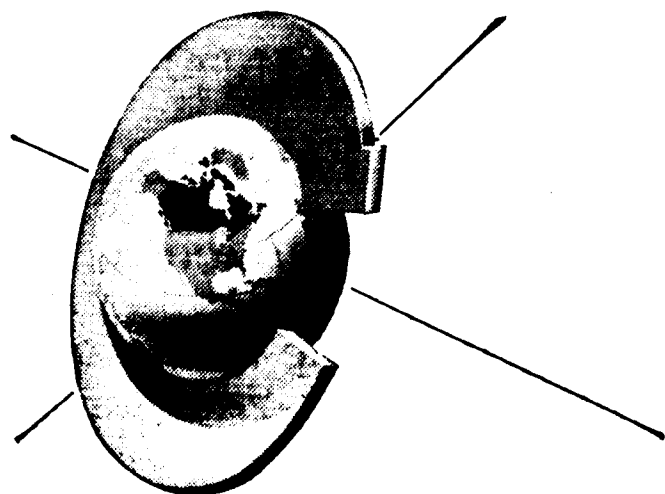
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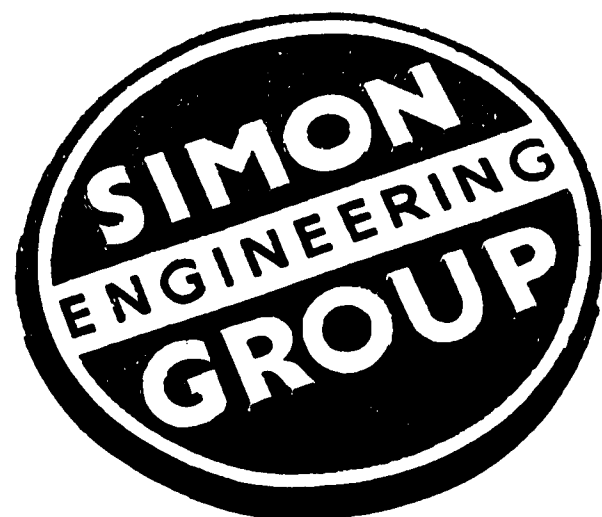
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THE BUSINESS WORLD

Pensions and Taxation

The Committee on the Taxation Treatment of Provisions for Retirement (the Millard Tucker No. 2 Committee), which reported this week*, was set up by Sir Stafford Cripps in August, 1950. At first sight, three and a half years may seem a long time to spend on a single aspect of fiscal policy: retirement benefits and their associated tax problems take up only 16 out of the 532 sections in the Income Tax Act of 1952. Even allowing for the burden of work that has fallen on Mr J. Millard Tucker, QC, and his colleagues, there seemed to be grounds for the eagerness with which the report has been awaited. Now the scale of the committee's work can be appreciated. It is as though it has had to unravel a dozen inferior tapestries, disentangle the skeins of wool and attempt to remake them into a single homogeneous design. The unravelling and disentangling has clearly been the hardest part of the job. And throughout the report (as in all efforts at taxation reform) runs the lament: "If only one could start from scratch, with no regard to vested interests!"

Questions and Principles

The "Tucker Two" committee was given a four-fold task:

- Are alterations desirable in the tax treatment of pension arrangements by employers for the benefit of their employees?
- Are alterations desirable in the tax treatment of private life assurances?
- How should annuities purchased out of capital be taxed?
- What tax treatment is appropriate to pension schemes for those who are unable to benefit from an arrangement sponsored by an employer?

In these questions, matters of principle and detail are so closely joined together that no conveniently broad generalisations are possible. The report gains in authority for this very reason; it has been drafted as a working document, with a minimum of matters left for departmental consideration in the hope that action can be taken in this year's Finance Bill.

Three main principles govern the committee's conclusions:

- A man who works in a business for substantially the whole of his working life should be rewarded over a longer period than his actual service.

- The build-up of bona-fide and reasonable schemes by means of contributions from employers and employees and by income earned on the accumulated funds should be exempt from tax; benefits should be taxable as and when they emerge (subject, on grounds of expediency rather than principle, to the exemption of lump sum payments in commutation of benefit rights within certain limits).

- The existing distinction between employed persons who can provide for retirement out of untaxed income and those who cannot should be abolished and a broad uniformity should be introduced into future arrangements.

Hitherto the working population has been divided: employees (including whole-time service directors) of concerns enjoying approved schemes form the "haves"; those employees for whom no schemes are available, the self-employed and controlling and part-time directors, make up the "have nots." The committee estimates that of the 23 million employed in 1953, 6 million were already covered by some form of pension other than the national scheme. It puts the number of self-employed at just over 2 million, of whom 400,000 would not be interested in

* Cmd 9063. HMSO. 5s.

any arrangement because they are not liable for tax. In the past the self-employed and controlling directors have been excluded, mainly because pensions had their origin as an element in basic wages and salaries, but also because such persons had the power to make arrangements for themselves by which they could obtain tax advantages beyond what would be reasonable. Now the committee proposes a realignment. All employed persons should have the right, following the general principles, to translate some of their current earning power into provision for old age and to obtain broadly similar tax benefits by doing so. A line is to be drawn, however, between those who could arrange their schemes to suit their own best advantage and those who perforce have to take what their employers provide for them.

Aid for the Self-Employed

It is to this first group of the self-employed, controlling directors, part-time directors and employees who are not at present covered by any scheme arranged by their employer that the report holds out the hope of tax benefits, subject to prescribed limits. It is estimated that 1,600,000 self-employed and 9,500,000 non-provided-for employees and controlling directors are involved. The committee recognises that these classes are fiscally under-privileged in that they cannot now provide out of current earnings, after personal taxes have been paid on them, for retirement benefits of the kind and on the scale afforded to ordinary employees who belong to approved schemes. The committee is at pains to show that it is concerned with principle rather than with expediency in this matter. Some form of special relief for savings has been provided ever since 1799, when Pitt introduced Life Assurance Relief; again the Royal Commission of 1920 must have proceeded on the principle that remuneration earned from work should be spread forward to cover retirement. The committee's analysis brings it to the conclusion that what applies to an ordinary employee should apply equally to a person who is self-employed; it is most unfortunate that two members of the committee have felt unable to accept this view and have entered a reservation to this part of the report.

Having thus justified equality of treatment for the self-employed on wider grounds than that of need alone, and with the salutary reminder that "the law of Income Tax is not one of the laws of nature," the committee considers the special circumstances of the four cases. Since there is no employer to exercise a restraining influence, the first need is to ensure that the spreading forward of income does not become unreasonable: this is to be done, not by controlling the amount of benefit (which would be impossible), but by controlling the proportion of each year's earnings which may be put into a scheme and fixing the date at which the benefits can be drawn upon. The scheme itself must be put beyond the control of the contributor. No doubt group

schemes to cover particular professions will be set up; in other cases the Life Offices have indicated their willingness to issue special policies to individuals giving effect to what the committee proposes, and it is hoped that standard forms will be agreed between the Revenue and the assurance companies to facilitate the approval of individual schemes. Stated in its simplest terms the committee's proposal is that each year's contribution by an individual out of his earned income shall in effect be a single premium securing a specified amount of annuity at the specified future retirement age. There would be options to provide for widows' and dependants' pensions.

The fixing of a retirement age is difficult, not only because some self-employed people have to retire early, but also because people who are their own masters usually enjoy twilight years which are neither work nor play. The committee recommends (and it is a typically useful proposal designed to iron out anomalies and uncertainties) that whatever in fact actually happens the schemes should be arranged on the footing of retirement at between 65 and 70 for men and between 60 and 65 for women. Contributions may be paid and will be allowed for taxation up to whatever limits are chosen; thereafter benefits will be paid whether or not the self-employed person goes on working.

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The committee then considers what maximum permissible contribution may be made in each year. If the figure is fixed too high, the sum of the annuities bought with each year's contribution will eventually produce a pension which is disproportionate to the remuneration enjoyed before retirement. It therefore contemplates two types of annuity—one, Type A, with alternatives in the event of death before retirement age, and with provisions for dependants; and the second, Type B, for a deferred annuity only, with no other benefit or any return in the event of death or disability before retirement age. The individual may choose which he prefers, or have some of one and some of the other. In ordinary circumstances, the committee concludes, it would be reasonable if 12 per cent of a year's earned income were put into a Type A policy, or 10 per cent into a Type B policy.

These general percentages are to be varied to allow for two special factors. First, in some cases income may be derived from capital assets rather than from personal exertion; it is this point which most worries the two signatories to the reservation. Clearly, income from capital assets ought not to add to the amount which can be set aside to build up retirement benefit: but, equally clearly, any detailed computations to exclude them would be an accounting monstrosity. In the end, the committee recommends that the difficulty should be met by a rough and ready adjustment of the annual percentage contribution itself. It proceeds on the assumption that income from capital assets will fall

in the highest part of total earnings and that only in the case of earnings of over £5,000 will the amount be of significance. A lower percentage is therefore suggested for earnings over £5,000: the figures proposed for the Type A policy are 12 per cent of the first £5,000, 9 per cent on the second £5,000 and 6 per cent on the balance whilst in Type B the corresponding percentages are 10, 7½ and 5.

Thus under a Type A policy an individual earning £5,000 could invest £600 free of tax in the purchase of a deferred annuity, but another earning £15,000 could invest not £1,800 but only £1,350. This in itself would be in injustice to professional men who work hard but employ little capital and the committee recommends that the Inland Revenue should have a discretion in such cases. It is noteworthy that the minority report exempts the earnings of self-employed professional men from its criticism of the proposals.

Secondly, some provision has to be made for "back-service" where an individual is already of mature age. The proposals to this end are simple, equitable and ingenious. The committee recognises that to put the four under-privileged classes on an equal footing with employees who benefit from approved schemes logically implies that the self-employed should be entitled to set aside the appropriate percentage of earnings of all past years. But this is hardly practicable; in any case few of the self-employed could afford it. The committee concludes that justice will be done if back-service relief is extended to 1939 but no further; if the scheme were to come into force for 1954-55 this would make fifteen years of leeway. It is proposed that the basic 12 per cent should be increased by 4/10ths of one per cent for each year between April, 1939, and April, 1954, during which a person was in any of the four classes (war service counting as part of the qualifying period). Thus the maximum rate for all future annual contributions would be increased from 12 per cent to 18 per cent, i.e., by 6 per cent representing 15 years at 4/10ths per cent per annum. The rates in the 10 per cent class would be correspondingly increased.

This would be a material help to those self-employed persons who still have a reasonable number of years of working life before them. A man who began professional life twenty years ago, for example, with twenty years ahead and an average earned income in the neighbourhood of £4,000 a year would be able to set aside twenty contributions of £720. At present rates of tax (12s. 6d. in the £ between £3,000 and £4,000) the net annual cost to the individual would be £270 a year. The gross sum of £720 a year accumulated at 3½ per cent interest (the interest would be tax free) for twenty years would amount to £20,000, of which a quarter could be commuted in a tax-free lump sum; if the remainder were translated at 65 into a life annuity it would provide a pension of about £1,500 a year. The position of persons closer to retirement age would not be so favourable.

Schemes for Employees

In a careful survey of existing arrangements for providing retirement benefits for employees the committee brings out the many inconsistencies which now exist. Employees' contributions are sometimes allowed in full as deductions from taxable income as if they were expenses; in other cases, only life assurance relief can be claimed; sometimes the whole of the benefit is taxable; sometimes part or whole is tax free; the income of some funds is exempt from tax, whilst in others it is liable. All the evidence received from important representative bodies pleaded for greater uniformity, but as the report wryly records, they were by no means agreed on how uniformity could be secured.

The committee proposes that all future schemes for the provision of benefits for employees should be based on a general plan allowing for the exemption from tax of the build-up of the fund and for the taxation of the benefits. To qualify for the tax reliefs, future schemes must first secure the approval of the Revenue (from whose decision there is to be no appeal) and certain broad rules (subject to a wide discretion of the Revenue) are laid down. Employees must not be able to withdraw benefits at will—otherwise the scheme would be a mere device for spreading remuneration and no more than a temporary savings bank. The contributions of both employer and employee must be effectively alienated so that they cannot be dealt with except in accordance with the scheme. The arrangement should be known to the employee, the employer should participate, and the nature of the benefits should be the same for all who are included. The retirement benefit should not be excessive in relation to the remuneration earned in the closing years of service: the Revenue is to give automatic approval if the benefit is limited to a pension of one-sixtieth, for each year of service, of the average salary for the last three years. After 40 years this will give a two-thirds pension which is common today. If the employment extends longer than 40 years and beyond the age of 60 the maximum benefit may be increased to three-quarters. The existing £2,000 limit for contributory pensions should go. Finally, the scheme must provide that benefits should not escape proper taxation; pensions cannot be assigned or (except for certain permissible lump-sum payments) commuted.

A scheme which satisfies these conditions should be exempted from taxation on its build-up. Payments by employers would be allowed as business expenses, whilst special payments to cover back service will also be allowed if spread over a period. The employee's annual contributions would likewise qualify for full relief up to 15 per cent (a generous margin) of his remuneration for the year. Where the scheme is funded the investment income of the fund should be exempt from tax; and where it is operated by the purchase of a deferred annuity through an insurance company, the investment income of that company's annuity fund

should be exempted to the extent that it covers pensions policies.

On the taxation of the benefits as they emerge at retirement or at earlier death, the committee is clear that all amounts received by way of annual pension ought to be taxed as if they were earned income. But it finds itself in difficulty when it considers the lump sum benefits which are now a common element in many pension schemes. The principle that it lays down would require the taxation of all lump sums or alternatively their prohibition. But this could not be done without interfering with existing contractual arrangements providing for lump sum payments. It would seriously upset uniformity if future schemes were to leave out lump sum payments or make them taxable. The Civil Service have received some part of their benefits in the form of a lump sum since 1909 and even the 1947 Finance Act, by implication, approved such tax-free payments. With reluctance, therefore, the report records:

If we were dealing with the matter without any reference to existing practice we should have found it very difficult to recommend that any part of the benefit should be in tax-free form; but since the practice is now so firmly established and seems to have been tacitly provided in the 1947 legislation and in the 1950 legislation relating to judges we find it impossible to say that in future it should not apply.

The committee proposes therefore that the existing arrangements which enable an employee to take up to one-quarter of his retirement benefit as a tax-free lump sum should be continued, but subject to limitations. The greatest lump sum payable to any civil servant is a little under £8,000. The committee is aware, however, that arrangements made since the 1947 Act, commonly known as "top-hat" schemes, are resulting in very large lump sum payments and cases of up to £40,000 were quoted. This it regards as excessive, and it recommends that there should be an absolute upper limit on lump sum payments of £10,000 in future schemes. At the other end of the scale the committee feels that, largely for convenience, small retirement benefits should not be subject to the requirement that three-quarters should be in pension form. If the aggregate value of the benefits is £1,000 or less the whole amount might be taken as a lump sum.

Transitions from one basis to another are always difficult. The committee would, of course, have liked to wipe the slate clean and start afresh. Many contributors, however, have already made their future plans in the expectation that the present arrangements would stand, and any compulsory alteration to their detriment would be unjust. But it would be equally unjust to bind a contributor to an unfavourable arrangement when new entrants could get better terms. So the committee proposes that all existing schemes should be divided into two parts, one under the old and the other under the new rules. The old part would be closed to new entrants, who would form the new part and in addition old members would be given the option

to transfer if they wished. It is the type of taxpayers' option which is naturally not welcomed by the Revenue, but it is difficult to see an alternative.

Taxing Annuities

The purchase of an annuity, if the scales were not so heavily weighted against it, would be a part of the normal provisions made for retirement by a person outside any existing scheme, or who wished to make additional provision. The taxation treatment of such annuities has long been a fiscal enormity and Mr Gaitskell, when Chancellor, added the subject to the committee's agenda. On any common sense view an annuity is made up partly of a return of the capital expended on its purchase and partly of interest earned thereon: on this basis the first part ought to be tax free, and the second taxable. But British tax law has not developed on these lines and a closely reasoned view of the law as it now exists, backed by the findings of Royal Commissions of earlier years, is that a capital sum has been sunk in the purchase of a source of income, and that everything flowing from that source is taxable.

In such circumstances the purchase of an ordinary life annuity has become highly imprudent to any one liable to a normal rate of tax unless he rates his expectation of life very highly, and an artificial hybrid, the annuity certain, has been invented to take care of some, but by no means all of the mischief. The committee, remembering its earlier dictum that the Income Tax Acts are made by and for man, recommends that the law should be changed and that the estimated capital content of annuities should be exempt from tax. This relates, of course, only to annuities purchased out of individual savings or capital and is quite separate from and independent of the provision of retirement benefits for self-employed and similar persons as part of a scheme; such annuities would be fully taxable as earned income.

Cost and Prospects

The committee has obtained from the Revenue tentative estimates of the costs of its proposals. Changes to existing schemes come to £5 million; provision for the self-employed and controlling directors would cost £35 million, for the "non-provided-for employees" (assuming one half take advantage) £30 million; for "partially-provided-for employees" £5 million; and the cost of relieving existing annuities would be £2 million. The total of £77 million is impressive, and will not be welcome to Mr Butler. But it is important to recognise that it does not represent a net cost to the community as a whole. The creation of pension rights in the future will create additional taxable income, albeit taxable at lower rates than those at which the initial contributions were realised, just as surely as interest on the national debt creates taxable income. Moreover if the full advantages are to be realised, relief from taxation given in the short run will have to be matched by an upsurge of real saving by the self-

employed and others; indeed, one of their big headaches of the future will be how to provide the permissible contributions. And when eventually the benefits are received much dis-saving, in the form of living on capital, will be avoided.

It is difficult to judge from the short, two-page reservations of Sir John Cater and Mr Woodcock how fundamental are their objections to the proposals relating to the self-employed. At first sight it would seem that their dissent is based largely on the assumption that the self-employed usually possess sufficient capital assets to provide for their retirement—an assumption scarcely supported by the fact that 88 per cent of the self-employed enjoy incomes under

Towards Bigger Wagons

MEASURED in work and money, the biggest single job that British Railways has to do is to move 189 million tons of coal a year round the country. During each weekday of the year, the railways have to clear about 60,000 wagons, loaded with 700,000 tons of coal, from the sidings of 900 collieries, and deliver another 60,000 empties to take the next day's output. The average round trip for a wagon from the siding and back is about ten days, and the average one-way journey actually carrying coal between 24 and 72 hours; at any time, therefore, about a million and a half tons of coal may be in the railways' "coal pipeline"—say 3,000 mineral train loads. Over the year, "coal and coke" loadings chalk up about 10,500 million ton miles, paying the railways about £109 million—of the same order of value as total passenger traffic or total merchandise, and far greater in ton-miles worked.

This steady movement from colliery towards customer is as essential to coal production as to its distribution: if the wagons are not at the pithead to take coal away, mining must soon stop—as in the transport freeze-up of 1947. The National Coal Board therefore has one of the largest internal transport organisations in the country, working closely with British Railways to keep the coal on the move. Yet the Coal Board is not, for the most part, a direct customer of the railways. It puts the coal into the wagons (544,000 of which it sold to the Transport Commission in 1948); but the freight charges on coal are paid chiefly by the merchants and large customers, who buy at pithead prices.

One of the largest of these customers, the British steel industry, is itself responsible for a volume of freight traffic second only to coal. It brings by rail to its plants some 20 million tons of coal a year, 5 million tons of coke, 11 million tons of British ironstone, and 6 million tons of imported iron ores; it despatches about 20

£1,000 a year. It must be hoped that these reservations will not be misused to inflame political controversy on a matter that ought to be non-political.

Mr Millard Tucker and his colleagues have done a difficult job well. If their proposals are implemented some better order will be brought to pension arrangements, which have long been chaotic; in particular a dangerous social schism between the pensionable and the non-pensionable will have been closed. If individual saving out of net income will never again be possible, because high rates of taxation are here to stay, it is the more necessary that sponsored saving through retirement funds should be open on equal terms to all taxpayers.

million tons of its own products between processes or as finished steel (on which it pays for freight, since it charges zone-delivered prices). The steel industry's direct financial interest in the efficiency of mineral traffic by rail, therefore, is considerable. This week it has announced* a step forward in that efficiency: it has agreed with the Transport Commission that railway wagons carrying iron ore shall be completely replaced by bigger wagons with a carrying capacity of 27 tons (wagons without doors, to be unloaded by tipplers) or 25½ tons (hopper wagons for bottom discharge). There are already more than 6,000 of these two types of wagon in service for iron ore; all new wagons built for iron ore movement will be to this standard (except a few of yet larger capacity), and the existing 16-ton and 22-ton wagons will eventually be cleared out.

Inevitably, the steel industry's announcement this week raises the question of freight efficiency in handling the largest traffic of all. If 25½-27 tons is to become the standard wagon capacity for iron ore, what about coal? Iron ore, of course, is much more dense than coal, and the cubic capacity of a wagon that will carry 27 tons of ore would accommodate only 14-16 tons of coal. Today, the average load of coal is about 11½ tons in a 13½-ton wagon. Since 1951, it has been "settled policy" with British Railways that a new coal wagon of 24½ tons capacity "should be introduced as soon as possible." This wagon would have a capacity of some 1,029 cubic feet, against 648 cubic feet for the 16-ton coal wagon (or the 27-ton ore wagon). Only about 600 of these now exist. British Railways recently announced its decision to build some 53,000 wagons this year, and has in fact placed a number of five-year contracts with certain independent wagon builders. Yet no more than 5 per

* British Iron and Steel Federation Statistical Bulletin, January, 1954.

cent of the mineral wagons included in this building programme will have a capacity of more than 16 tons.

Once built, a railway wagon is depreciated over thirty years and may well be worked for forty. Today, about two-thirds of the 600,000 mineral wagons on British Railways are of less than 14 tons capacity, and about a fifth are 16-tonners, the standard adopted for building during the war. So the decision to build perhaps 35,000 mineral wagons a year for five years ahead, almost entirely 16-tonners, will certainly improve the efficiency of the fleet. But it will also build up a block of some 250-300,000 relatively new wagons of only two-thirds the carrying capacity that British Railways now considers ideal, and thus defer for many years any approach towards standardisation on the larger wagon. So this investment decision—involving perhaps £15-20 million a year—invited, and has drawn, some criticism from major consumers.

Criticism of Britain's railways for carrying coal in too small packets is not new. Over the years the standard has gradually been inched up; no new 10-ton wagons were built after 1923, and in 1929 a standing committee recommended some modernisation of terminals, to be followed, in 1932, by a standard capacity, for new coal wagons, of 20 tons. During the war the 16-ton standard was adopted as a wagon that could be used universally; and soon afterwards a committee on industry standardisation, led by so eminent a rolling stock engineer as Sir Ernest Lemon, suggested an eventual standard of 40 tons capacity or more. Mineral wagons of this or greater capacity are common on American railroads, and a few run on special routes in Britain—for example, thirty 56-ton ore wagons operate between Tyne Dock and Consett steel plant (though these would carry only about 25 tons of coal). The steel industry, indeed, would like to work towards a standard of about 35 tons capacity for handling imported ore.

Wagons of 40-ton capacity or more, however, would require bogies at each end; a gross weight of 35 tons—which allows a maximum carrying capacity of 25½-27 tons for iron ore and 24½ tons for coal—was recommended by an official committee of British Railways engineers after the war as the most that could be loaded on two single axles. Such a 24½-ton coal wagon offers a high pay load in relation to wagon tare weight, reducing the gross weight of handling a given tonnage of coal and cutting down the weight of hauling back empties; it makes possible a quicker turn round of wagons for a given tonnage, in smaller sidings; and it is more economical in operating costs and carries much lower capital charges, per ton of capacity, than smaller wagons or the larger wagons that need to run on bogies.

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What stands in the way of this ideal coal wagon? Simply, and literally, the equipment for putting the coal in and taking it out. The 24½-ton wagon is 10-10½ feet high, against 8½ feet for the 16-tonner, and has a wheelbase three feet longer; only about a sixth of

the collieries in the country can get it under their screens or through their sidings, and none of the coal ports can handle it. At the delivery end, the steel industry could probably take 50 per cent of its tonnage today in 24½-ton wagons, 60 per cent in 1956-57, and 80 per cent by 1960; the power stations, coal's largest customer, could take perhaps 20 per cent today and about 65 per cent by 1960. All new and reconstructed collieries will have surface equipment to take the larger wagons, and it might be possible to refit a proportion of the existing collieries to take them at a capital cost of up to £5,000 per colliery.

★

But there are a large number of collieries in the country where complete rebuilding of screens or washeries would be needed to take the larger wagons, which would cost up to £100,000 at each pit; and a residue of pits of limited life where the National Coal Board would be understandably reluctant to spend anything on rebuilding surface equipment. The Coal Board is not prepared to make promises of the percentages of its tonnage that it will be ready to deliver in 24½-ton wagons at various future dates, because, it argues, the flow of coal throughout the country is subject to continuous and considerable change, which would make guarantees of percentages meaningless. It has taken about 600 of the big wagons into service and used them for testing its clearances at collieries; and it is beginning to use them on a few selected regular routes. It is not always easy to find a customer equipped to accept big wagons, even where the collieries can load them; for example, one group of pits supplying steel plants in South Wales can load the 24½-tonners, but the Steel Company of Wales is having to modify its coal equipment at Margam to unload them. The Coal Board is prepared to introduce the large wagons as and when it can on selected routes; but it is far more interested in the supply of further 16-tonners to supersede the existing "tail" of smaller wagons, many of which embody antiquated grease lubrication that causes immeasurable difficulty in coal sidings in cold weather.

In freight efficiency as elsewhere, therefore, the better is the enemy of the best; and the railways' major efforts to improve and modernise their wagon fleet shift farther off the standard of the ideal wagon. Obviously, the larger wagons could only be introduced gradually; it is an open question whether their introduction needs to be quite as gradual as is planned today. Essentially, this is a question of return on capital, invested by various people at various points. Ultimately, the return from these investments in coal handling efficiency should accrue to all three parties—the large consumers, British Railways, and the Coal Board—but the net benefit to the railways and the coal industry may be a long time coming. Whether or not some sharing of financial benefits might be worth considering, greater co-ordination of investment by the basic industries concerned to accelerate progress towards this higher standard of freight efficiency may still be possible.

Business Notes

Fat Boy in the Markets

THE rate at which the pension funds can tuck away the securities they fancy is a matter for never ending wonder. Everyone foresaw that they would like the Dunlop Rubber 7 million £1 5½ per cent preference shares at 21s. But no one guessed that 24 million shares would be applied for, and in an issue which was made to stockholders only. That result forced the company to scale down heavily all applications for more than 400 shares. The very method of allotting the smallest applicants in full and progressively scaling down the bigger ones tended to limit the opening premium for if there were "stags" they would be found among the smaller applicants. The opening premium was 6d. per share.

Now institutional investors have been given another meal before they have digested the last, for the steady programme of gilt-edged borrowing cannot be allowed to lag. This week's offer of £80 million British Transport 4 per cent stock 1972-77 at £101 was even a little more than the stalwart gilt-edged market had expected. It would have taken a Dominion or Colonial issue of up to £20 million more easily in its stride. As it was, the authorities repeated the tactics they had used so successfully with the Conversion 3½ per cent issue only three weeks earlier, and pitched the price right up to the highest level which they judged the market would stand. The new stock is a further line of an existing issue. The Transport 4 per cent stock 1972-77 of which there is already £120 million, was first issued in November, 1952, at £95½; the difference between that price and the present £101 marks the extent of the market's rise in 15 months. Still the terms have been finely drawn; the old stock with about 12s. 10d. of accrued interest stood at £101 13/16 with a yield to redemption in 1977 of £3 18s. 6d. when the new issue with the promise of 17s. 6d. interest in June was announced. The new stock offered a redemption yield of £3 18s. 8d.

If the authorities hoped that the finely drawn terms of the new issue would give the gilt-edged market a further slight tilt upwards, they were not immediately successful. The gilt-edged market declined a small fraction so that the old Transport 4 per cent stock offered a slightly higher yield than the new issue. That did not spell failure for the issue. As a trustee stock guaranteed as to principle and interest by the Treasury it is obviously designed for the institutions. The Government guarantee is also backed by a forecast that the British Transport Commission's surplus for 1953 will be approximately the same as in 1952 when a net surplus of nearly £4½ million after interest charges and capital redemption was earned. But it is the kind of issue in which the public departments can be expected to play their traditional helping hand towards full subscription. Their part is not an unduly large one. The lists closed at 10.30 on

Thursday, and the larger applicants for over £250,000 received 77 per cent of their applications, which is long-hand for a satisfactory response.

The Atomic Energy Authority

THE text of the Government's bill to set up an Atomic Energy Authority follows fairly closely the outlines in the White Paper of four months ago. The Authority will assume responsibility for producing fissile materials, atomic energy and radio-active substances, and all the day-to-day operations connected with these functions—including research and any necessary building work. The Lord President of the Council has broad powers to direct the policy of the Authority, subject to the reasonable safeguard that he "shall not regard it as his duty to intervene in detail in the conduct by the Authority of their affairs unless in his opinion overriding national interests so require." The AEA will publish annual accounts.

The bill gives the Authority power to arrange for universities and "other institutions" to carry out research on its behalf into "matters connected with atomic energy or radio-active substances" and to "make grants or loans to persons engaged in the production and use of atomic energy or radio-active substances." But while the government thus concedes that "institutions or persons" outside the Authority might be permitted to own and operate nuclear power plants, there is no expressed intention of calling on industry to help with the design or running of the key plants of the atom industry, those that produce the fissile materials themselves. The Authority will be a manufacturing organisation, not a body co-ordinating the activities of its agents, as in the United States. Will it in fact be possible to draw a dividing line between power production and other activities? Certain atomic power plants also involve the production of fissile materials such as plutonium and anyone "engaged in the production or use of atomic energy" by these methods will certainly need to know a great deal about the techniques for separating fissile materials.

In the White Paper, responsibility for providing atomic weapons was to remain with the Ministry of Supply. But while the bill calls on the Ministry to arrange with the Authority for the development and production of atomic weapons, it does not limit the power of the Authority to conduct "experimental work which may lead to improved types of explosive nuclear assemblies for atomic weapons." Hence the Authority is free to experiment along its own lines, whether or not these conform with the views of the Ministry of Supply.

By the bill, the scientists will win a considerable measure of control over the destinies of the new atomic industry. All important aspects of nuclear physics come within the purview of the Authority, and it will have considerable discretion in seeking co-operation from outside. Subject to the general guidance of the Lord President, whose powers are defined with welcome clarity, a great deal depends now on the attitude of the chairman and the six to ten directors of the Authority, only four of whose names—all of them scientists—are yet known. The AEA will have a great measure of independence—and some critics will complain that it has too much. That remains to be tested. In principle, the experiment is entirely worth while, and its success may depend in large part on the quality of the lay directors who have yet to be appointed.

Potash Loan Settlement

THREE weeks ago Messrs J. Henry Schroeder, as principal paying agent for the German potash bonds, and the Royal Exchange Assurance as trustee had to announce that they would tell the British court that the German debtors had not improved their unacceptable offer of last August. But last week-end brought the welcome news that the minority members of the Potash Syndicate of Germany had come into line and that a basis of an agreement had been reached, putting the potash bonds on substantially the same footing as the German loans covered in the Anglo-German debt agreement of last year. The steady buying in the last two weeks, thought to be on German and Swiss account, suggests that the new development was foreseen on the continent ahead of last week's announcement. The history of these negotiations, extending over many years, shows errors on both sides. But the final outcome seems the only possible one. It is recommended not only by the paying agent and the trustee but also by the bondholders' committee and the committee of long term and medium term creditors of Germany. No doubt the general body of bondholders will also accept it in the spirit of Sheridan's description as a settlement "of which every man ought to be glad but of which no man ought to be proud."

Substantial improvement on the unacceptable German offer of last August is shown by these items:—

(i) The 1951 distribution on capital account made from assets outside Germany is to have the benefit of the dollar clause so that the £35 10s. distributed ranks as only £20 9s. of nominal capital.

(ii) The life of the bonds (which are already due for repayment) is extended by 20 years beyond January 1, 1953, instead of 25 years.

(iii) The whole service of the debt on the new basis is guaranteed whereas in the previous offer 3.8 per cent domiciled in the Soviet zone was not to be serviced.

On the new basis, service from January 1, 1953 is likely to begin in June, and the bonds will then be full of three half-yearly payments. The rate, on the lines of the German debt agreement, will be 5½ per cent per annum on the 7 per cent issues (amounting to £5½ million nominal) and 4½ per cent on the 6½ per cent tranche (of £1,800,000). The arrears including dollar clause benefit are aggregated as capital, so that the 7 per cent bonds rank for between £232.3 and

£235.5 and the 6½ per cent bonds for between £225.5 and £228.4 according to the date when this £35.5 distribution is deemed to have been made. Both issues rank for a further *ex gratia* payment from the custodian of ex-enemy property which makes impossible an exact calculation of yields at the present prices of £169½ for the 7 per cent bonds and £153 for the 6½ per cent issue. But the indicated yield of over 9 per cent is well up to the return on other German issues. One of the most important features is the promise to restore the "receiving bank system" under which the proceeds of potash sales outside Germany are to be received by Schroeders on trust and the service of the bonds is set aside out of that total. This provision gives the special quality to the security of the potash bonds.

Postscript from the Bankers

CONTROVERSY about bank dividends has restored to the annual general meetings of the big banks some of the wide public interest that was lost when, during the war, the bank chairmen started the sensible practice of circulating their "statements" beforehand, with the annual accounts. At this year's meetings the banks have been replying to two opposite kinds of criticism. Some that have raised their dividends have proved sensitive to the taunts, unfair though these have generally been, from Labour spokesmen; whilst the two big banks that have maintained their traditional dividend rates have had to try to console disappointed shareholders. In this second category the principal defence has come from Lord Harlech, of the Midland Bank, who emphasised—as, indeed, *The Economist* did some weeks ago—that in framing its dividend policy a bank had to be "entirely uninfluenced" by the decisions of other banks. Lord Harlech put some weight, however, on the fact that the Midland's dividend had for twenty years represented a higher rate on total capital than that of any other leading bank except the Westminster, which has likewise kept its payment unchanged this year. The Westminster's chairman, Lord Aldenham, did, indeed, make the same point more tartly—complaining at the bouquets handed to the other banks for making "rather tardy and hesitating steps" towards the Westminster's dividend rate. He gave no hint of any advance in future. On this point Lord Harlech was specifically discouraging; he thought that, given the greater flexibility that is being restored to the national economy and to money rates, there could be no assurance that gross earnings would be maintained, whilst costs continue to rise. There would be "little purpose" in raising the dividend unless the possibility of subsequent reduction "could be regarded as remote."

Among the dividend-raising banks, the most weighty statement came from Lord Balfour of Burleigh, of Lloyds Bank, in a protest against the tendency of "some quarters" to try to use the increase in bank dividends as an additional argument in appeals for wage increases. The real purchasing power of the net amount of Lloyds' dividend, he pointed out, was still only two-fifths of what it was in 1938. As for the increase in dividends in general, its contribution to inflationary pressure had been "quite negligible" by comparison with the effect of increases in wages and salaries; the aggregate additional amount paid in wages and salaries

in 1952 by comparison with 1938 was thirty-five times the additional amount paid, in the aggregate, in dividends on ordinary shares. To this telling point there should be added one from Mr A. W. Tuke, of Barclays Bank; he put his bank's increased dividend into perspective by remarking that it was equivalent, on the average stockholding of £250, to an additional 2s. a week of gross income.

Belgian Uranium Contracts

CONSIDERABLE secrecy surrounds the terms on which uranium ore is bought and sold, and the Belgian foreign minister, when he told the Belgian Chamber last week that fresh contracts for Congo ore were being negotiated, gave no information about the points being discussed. Belgium has a ten-year agreement, signed in 1944, to sell what amounts to the entire uranium output of the Belgian Congo to a joint Anglo-American purchasing agency. Deliveries were based on estimated production, and these assessments have coincided fairly closely with actual output. This agreement is due to expire this year, and the terms on which the agency will buy future supplies from Belgium are likely to show certain important changes. In particular, it is unlikely that the agency will continue to take the whole output of Belgian ore.

Until recently, Belgium was the only supplier of uranium outside the Iron Curtain, but new sources in Canada, Australia and South Africa are coming into production, and this ore tends to be free of constituents that have made the Congo ore, rich though it is, difficult to handle. For these and other reasons, British plants are likely to switch gradually from Belgian to Commonwealth ores. Such a change would leave more uranium available for Belgium's own domestic use than has been the case hitherto. But it may also follow that certain advantages that Belgium could expect under the old contracts will no longer hold.

The uranium supplying countries have generally maintained that if they sold their ore to Britain and the United States, leaving little or none for their own laboratories, it was only fair to expect that some of the non-military "know-how" obtained in the course of using that uranium should be made available to the supplying country. While atomic research and production was wholly pre-occupied with military work, as it has been during most of the course of the Belgian contract, the matter did not arise. Now that both Britain and America are actively starting to study the generation of atomic power, countries like Belgium, with limited domestic resources of conventional fuels, but with available supplies of uranium, have an interest in learning

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DEFENCE

as much about these developments as possible. It seems, however, more than likely that Belgium will find it difficult to get the British Government to buy Congo uranium for anything but military purposes; and that Commonwealth supplies will be used in applications where questions of an exchange of know-how is likely to arise, until the experts feel that there is no longer any military advantage to be gained from keeping secret the engineering details of such plants.

Protection for Dundee

LORD WOOLTON'S announcement this week publicly admitted the protective character of the Jute Control and assured the jute manufacturing industry in Dundee that it will not be exposed to the full blast of competition from cheap Indian jute goods. His statement did not, however, bring a solution into view. Government trading in raw jute, which has been an incidental feature of protection for Dundee, will cease "at an early date," following talks with the industry. In practice, private imports may be resumed when the new Pakistan crop becomes available in the summer. But the Control will continue to be the sole importer of jute goods "until appropriate measures to safeguard the home industry under conditions conducive to efficiency can be worked out and introduced." The Government, said Lord Woolton, was giving full consideration to this problem, but could not promise any early solution. It has still not decided which of several methods, all objectionable in varying degree, it will adopt. These are:

(1) Restriction of Indian imports either by volume or by certain weights and types of goods. This would penalise those consumers who could not obtain a share of imported goods, which now meet about 40 per cent of Britain's requirements. Selective restriction would probably lose its protective effect, because consumers would try to adjust their demands to the types of Indian goods that could be imported.

(2) Centralised purchase of imports by a trade body instead of by the Ministry of Materials. Any such monopolistic system is usually better left in the hands of a government agency. Both (1) and (2) would also offend the cardinal principle of Gatt, that quantitative import restrictions should only be used to protect the balance of payments.

(3) A direct subsidy to Dundee.

(4) A tariff on Indian jute goods.

This last has some technical limitations, but it seems in fact to be the only proper form of protection. So far the Government has shied away from imposing a tariff on a line of Commonwealth manufacture that has long enjoyed the right of duty-free entry to Britain under the Ottawa Agreements. In view of the negotiations and legislation that would be required, however, the Ministry would be unlikely to get jute goods off its hands this year.

Retailers Reprieved

THE Chancellor's purchase tax statement last week got a much warmer welcome among retailers than it did from other traders. The shops are far less concerned about a

reduction in tax rates—although naturally enough they would welcome one—than they are with the effect of pre-budget uncertainties on their total volume of trade. They are hit in two ways, through the ever-present possibility of losses on tax-paid stocks should the tax rates be reduced, but also through the loss of trade during the pre-budget period that cannot, because of its seasonal nature, be recouped during the early summer. The manufacturer, on the other hand, if he makes goods attracting a high rate of tax, can be reasonably confident that sales are postponed, rather than permanently lost, during the weeks before the budget, and while this may mean dislocation of production, it does not follow, as it does among retailers, that there will be a net drop in turnover over the year as a whole.

The level of retail sales during the two months before Christmas shows that trade generally was not too seriously affected by the mild weather. Sales in November of non-food merchandise were 6 per cent higher than in November, 1952, and in December, 5 per cent higher than twelve months before. The general level of December trade was, in fact, better than the figures indicate, because the 1953 figures include a week of slack post-Christmas trading, while the 1952 figures cover the four weeks up to and including Christmas, with none of the aftermath. The rising level of stocks, however, does suggest that, good though it was, trade was not as high as retailers had anticipated it might be. In November, stocks were 9 per cent higher than the year before, and at the end of December they were 10 per cent up. The probable explanation for this upward swing is that Christmas trade started a week or so later than usual, and while it was exceptionally good once it got under way, the number of transactions that any one shop could handle was too limited to make up for the late start.

Germany and EPU

THE January settlement of the European Payments Union reveals Germany again well in the lead of creditors—on the past month's transactions as well as on accumulated credits. The German surplus for January amounted to \$43.1 million and was settled in equal parts of gold and credit. In its EPU operations to date Germany has secured gold to the amount of \$382.1 million and in addition has built up a credit balance of \$482.1 million with the Union. The build up may be accelerated, moreover, by Germany's decision, announced this week, to concede a generous liberalisation of German imports from the dollar countries. The relevant regulations provide 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. With or without this last reservation, however, it seems highly probable that Germany will soon be acting as a funnel for the import of dollar goods into the whole EPU area—a process that on balance will cost Germany some gold but which at the same time will further increase its cumulative accounting surplus with EPU.

While Germany has far outpaced the other creditors with EPU (the second in the order of holders of credit balances is Belgium-Luxemburg with a credit of \$234.6 million), the United Kingdom heads the list of members that are over-

drawn. The British debit balance at the end of January was \$552.8 million. The fate of this and other overdrafts of long standing has been a topic of highly controversial discussion in Paris, where, as was noted in *The Economist* last week, the Management Board of EPU has been considering the terms on which the Union will be extended after June 30 next. The plan for "hardening" EPU that certain continental countries are propounding as part of the convertibility exercise is being strongly resisted by the British representative—not because Britain has any aversion to repaying its debts, but because the introduction of this element of rigidity in the EPU mechanism would be likely to provoke defensive measures, including further cuts in imports from EPU countries that would seem to run counter to the expansionist definition of the plan for convertibility.

Helping the Small Spinner

NO changes of substance have been made in the Cotton Bill, which had its third reading in the Commons this week. The Government rightly refused to prolong the trading and cover activities of the Raw Cotton Commission for a further year, but it will probably go most of the way towards meeting the Opposition's concern about supplies of cotton to contracting-in spinners after August 31st. These spinners, who are almost by definition the smaller firms in Lancashire, are in a difficult position. They contracted to buy from the Commission up to the end of August. The Commission's statutory obligation to spinners ends when the Bill becomes law this spring, though it will supply them until August 31st. By that time many of this season's crops, particularly the Sudanese, Pakistan and East African, may have been sold. To ask contractors-in now to waive their right to obtain cotton from the Commission, and to import privately their own requirements from the 1954 crops, would be expecting too much. The smaller spinners would argue that they could not afford to finance such purchases, and that the banks would not lend them as much money as they would wish against Egyptian-type and "outside growths," which will not be fully hedgable on the Liverpool market when it opens in May.

The Government has already stated that the Commission will buy sufficient Peruvian and Sudanese cotton to tide contractors-in over until the 1955 crops become available, and there is no doubt that this undertaking extends to the other cottons that are marketed in the next few months. How will this cotton be hedged? The Commission could sell it forward at a fixed price, leaving the buyer to hedge the risk of a fall in price on the Liverpool market; this would not appeal to the small spinner. Or the Commission could itself hedge the risk, and sell "on call"—the difference in price between the grade of cotton sold and the basic growth being fixed, and the spinner paying the market price when he calls for delivery. Either of these methods would increase the strain on the Liverpool market, which will then be taking up the hedges transferred by contracting-out spinners from the Commission's cover scheme. The industry and the market would no doubt prefer the Commission to sell on call without hedging its cotton, as has been its normal practice. The objection to this is that

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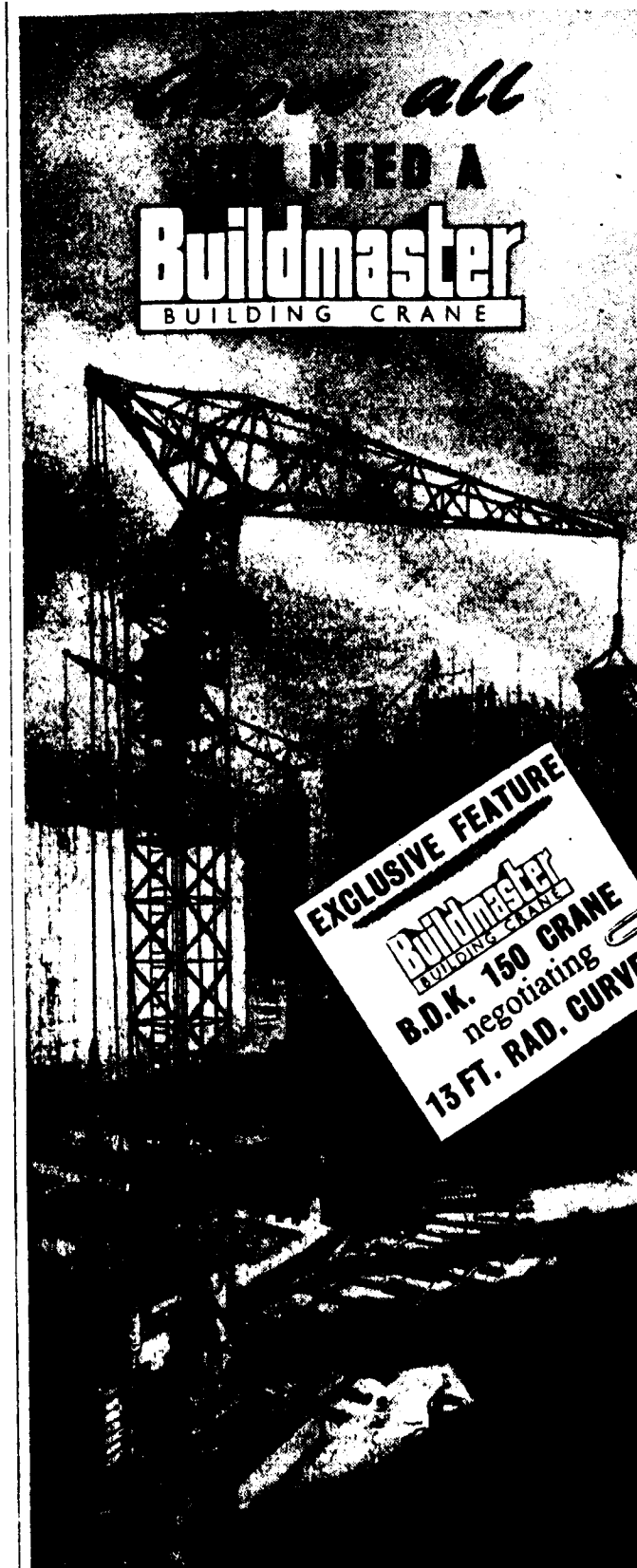
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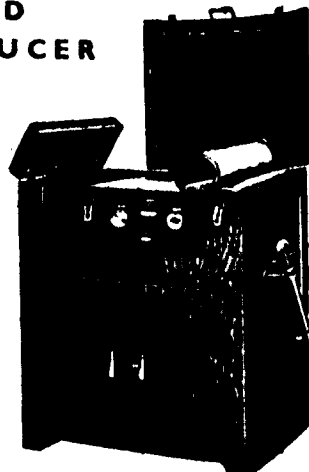
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public funds would still be exposed to the risk of a fall in price after the Commission ceases public trading. But as the Commission has lost nearly £50 million in the last two years, the Government might consider this remaining risk a small price to pay for smoothing the industry's return to a free market.

Yet Larger Tankers

THE eighth of the ten tankers that Vickers-Armstrongs has been building for Mr Stavros Niarchos's World Tankers Corporation was launched at High Walker, Newcastle, this week, and at the launching Mr Niarchos and Lieutenant-General Sir Ronald Weeks indicated that the two companies were negotiating about further orders. The *World Harmony*, of 33,000 deadweight tons, is the largest tanker yet launched from a British yard, though Mr Niarchos's *World Glory*, launched a week before from a yard of the Bethlehem Steel Company in Massachusetts, is of 45,100 tons dw. The two remaining tankers of the programme, which are being built at Barrow, are planned to be even larger; they will vie with a hull now being built at Kure in Japan, for an American owner, for the title of "the world's largest tanker."

The independent tanker operators such as Mr Niarchos and Mr Onassis—both of whom have fleets of about a million tons dw—have been pioneers since the war in the development of larger and larger tankers; their latest giants are still somewhat ahead of the oil companies' own vessels. The major oil companies generally plan to carry about 40 per cent of their total oil tonnage in their own tankers, and probably an equal percentage is carried in tankers on time charter or consecutive voyage charter, a trade in which the big independent tanker operators specialise; the spot market accounts for little more than 10 per cent of the transport of oil by sea. Vessels such as the *World Harmony*, which will operate between the Persian Gulf and Britain, are mainly booked on time charters, which tend nowadays to run from two to five years. This question of forward bookings for ships that have to be

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built has made the question of delivery dates a vital one in the placing of orders during recent years; while there is probably not much to choose in price between British and German construction, German yards have been less heavily booked and have indeed managed to offer shorter delivery periods after keel-laying. It has been the availability of berths in Japan, too, that perhaps brought its yards most of their recent orders, though its prices are now somewhat below European figures. And though with their high wage rates American shipyards can hardly compete in price, the speed of delivery they can offer can be a significant factor in obtaining tanker orders.

Talk About Take-overs

LAST week's Commons debate on take-over bids was, from the political angle, tame. The gap between the views of the Opposition and those of the Government proved narrow. The two philosophies are clear: the Labour view was put by Mr Roy Jenkins: "the whole technique of take-over bids drives a coach and four through the policy of dividend restraint"; not only boards actually afflicted with bids but many others who fear them, try appeasement on the shareholders. For the Government the attitude is summarised in the Chancellor's phrase: "if we were to keep industry and commercial activity absolutely static we should get nowhere." But Mr Jenkins was leaning hard to the right to admit that many of today's great undertakings could not have been built up without amalgamations and bids, while the Chancellor almost bent himself double in a leftward direction in expressing his condemnation of the "spiv" who gets something for nothing, and the type of bid where the objective is pure capital gain. He still urges a modified policy of dividend restraint.

Where there is so much common ground there is a risk that some of the most important points will be slurred over, and they were. Why should the Chancellor regard a pure capital profit as improper while he has no inhibitions about a profit on revenue account? Clearly one escapes the tax net and the other pays up. The remedy is in the hands of the Chancellor and he was entitled to plead an approaching budget as an excuse for silence. Still it cannot be denied that a distorted tax system which leaves capital profits free and taxes distributed revenue profits to the hilt does far more to encourage take-over bids than any original sin in the hearts of the bidders. Why also did no member pick up Mr Gaitskell's condemnation of Great Universal Stores' purchase of Rylands and other textile units and the alleged closing of a spinning mill? Is it suggested that more efficient redeployment of capital is a bad thing? Or that a business man as shrewd as Mr Wolfson would create unemployment by selling machinery which could be run efficiently?

Two useful things did emerge from the debate. Mr Butler has effectively demolished the claim that a coach and horses has been driven through the dividend restraint policy. In 1953 there certainly was an increase in the percentage rates of dividend paid, though most of this percentage—say, 6 out of 10 per cent—was attributable to the reduction in the standard rate of income tax. Measured against the shareholders' funds employed there

was only a trifling increase last year. Mr Gaitskell called this "a most dangerous argument to use." Dangerous it is—to him. The Opposition admitted that the ploughed back profits which have increased capital employed are the property of shareholders. Surely they cannot suggest that shareholders should go on ploughing back for ever and never desire any return. There will be general approval of the Chancellor's announcement that the President of the Board of Trade is still considering whether to appoint an inspector to investigate the transaction whereby the Savoy Hotel board sought last December to remove the Berkeley Hotel from the bidders' grasp by transferring it to a new company over which the Savoy hotel shareholders would have had no control. This damaging affair still needs to be cleared up.

P & O Becomes Airborne

THE purchase of a controlling interest in Britavia Ltd. by the P and O associate, The General Steam Navigation Company Ltd., is the third purchase of shares in an air transport company by a shipping group in the past five months. Now that the independent airlines are to be given a substantial degree of protection on any of the routes they are licensed to operate, the prospects of investing in established air companies have evidently presented distinct attractions for shipping.

This happens to be the first of such deals involving a controlling interest in an independent airline. Britavia Ltd. owns Silver City Airways, which operates a scheduled car ferry service to five points on the continent and does a good deal of non-scheduled charter work. Last summer, Britavia acquired Aquila Airways, which operates flying boats between this country and the Mediterranean. Britavia's financial backers included Cable and Wireless Ltd., and also a group of insurance companies; the latter have sold their interests, or part of them, to P and O. The fact that the short and medium range freight and passenger operations of these two airlines are in the same general category as the short-haul shipping business handled by the General Steam Navigation Company, seems to be no more than a coincidence. Silver City is building an airfield, and expanding its fleet; both commitments will call for capital of the kind that P and O can provide, but they had already been undertaken before negotiations for the share purchase were opened less than two months ago.

Last October, Clan Line acquired a 50 per cent non-controlling interest in two companies belonging to the Hunting Group, which began as a family shipping company in 1874 but which is now predominantly interested in the air. Then, early this month, Furness Withy acquired a "substantial" interest in Airwork Ltd. This again is not a controlling interest, Airwork's backing comes primarily from Guinness Mahon and Whitehall Investment, and it is expected that new shares will be created for Furness Withy. These developments have narrowed considerably the field remaining for investment. The only big independent operators still unlinked to shipping are the Lancashire Aircraft Corporation, which acquired Skyways Ltd. in March, 1952, and Air Charter Ltd. Apart from the medium-sized Scottish Airlines, the remaining independents operate on a very modest scale.

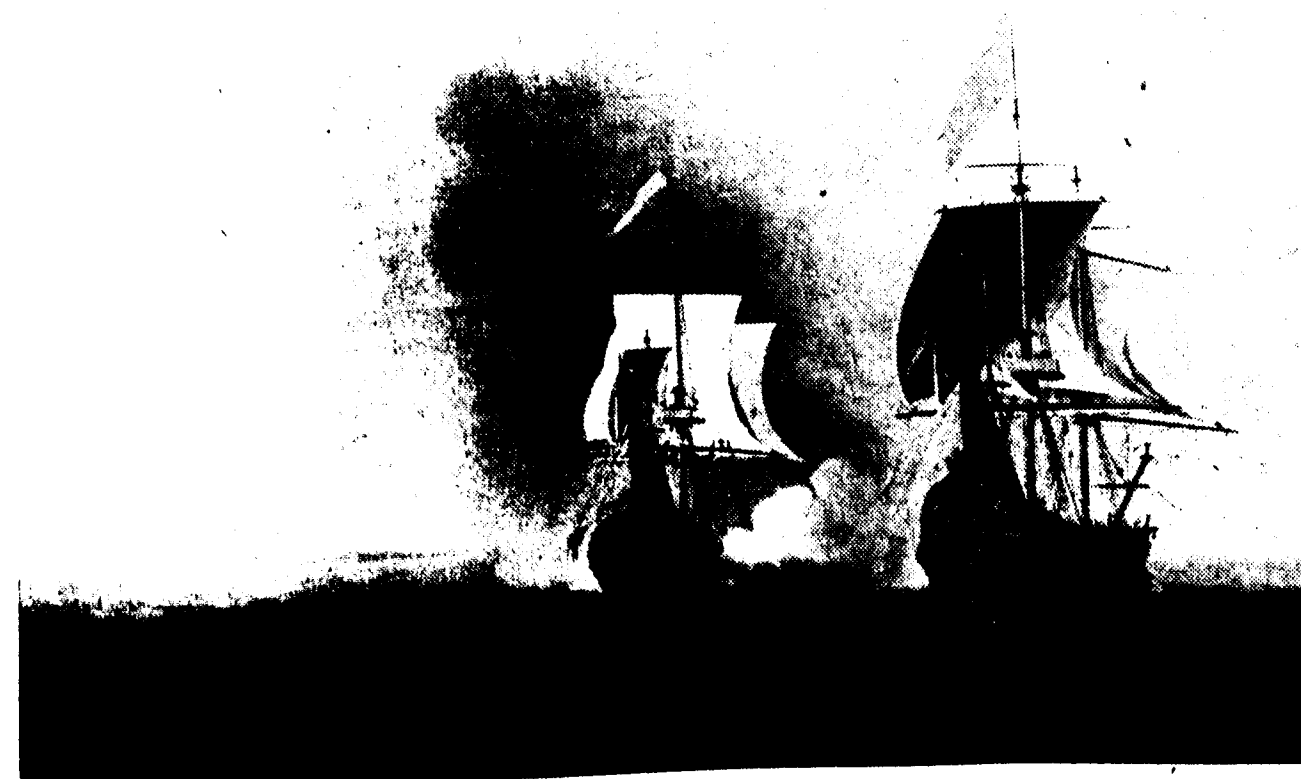
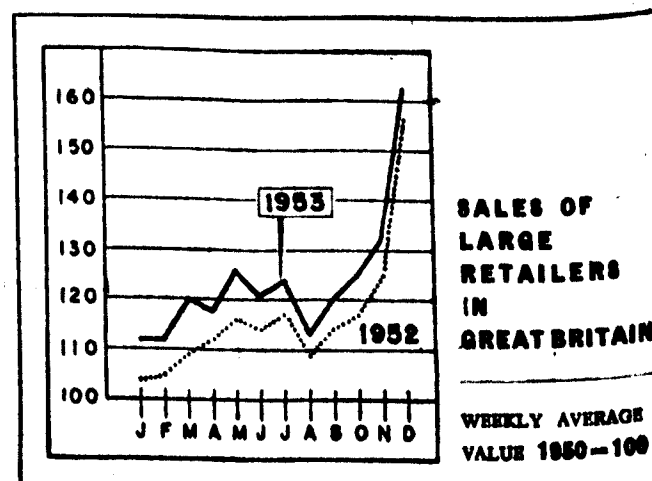
Export-Import Bank at Murupara

NEW ZEALAND has secured a credit of \$16 million from the Export-Import Bank to finance dollar equipment for the well-known pulp and paper project at Murupara—for which the New Zealand Government came to the London market for a £10 million loan last December to finance supplies from Britain. Although the Export-Import Bank, which is an agency of the American Government, is easily the largest source of dollar capital, it has made relatively few loans inside the sterling area. The primary deterrent is undoubtedly the provision made on all its loans that the proceeds shall be spent on purchases from the United States alone. This condition was of little moment for the Murupara scheme, however, as a considerable part of the equipment has in any case to be obtained in the United States.

The funds for the Export-Import Bank loan are actually to be provided by private banks and insurance companies in the United States; the Export-Import Bank's role is to guarantee payments of interest and repayment of the principal. The loan therefore makes no charge on the United States Budget but simply imposes a contingent liability upon it. The technique of guaranteeing loans from private companies has been successfully used by the International Bank, but it has hitherto had little part in the Export-Import Bank's lendings—and has never been used before for long-term loans. The scope for the investment of American capital should be appreciably widened by the Bank's new flexibility; but that will be of little benefit to the balances of payments of third countries so long as the dollars that are lent have necessarily to flow back to the United States.

Support for Scottish Aviation

THE Ministry of Supply has undertaken to "provide some technical assistance and a measure of financial support" for a light civil aircraft known as the Twin Pioneer. The Pioneer series has been designed by Scottish



(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.

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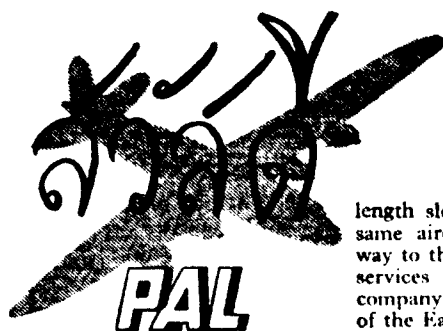
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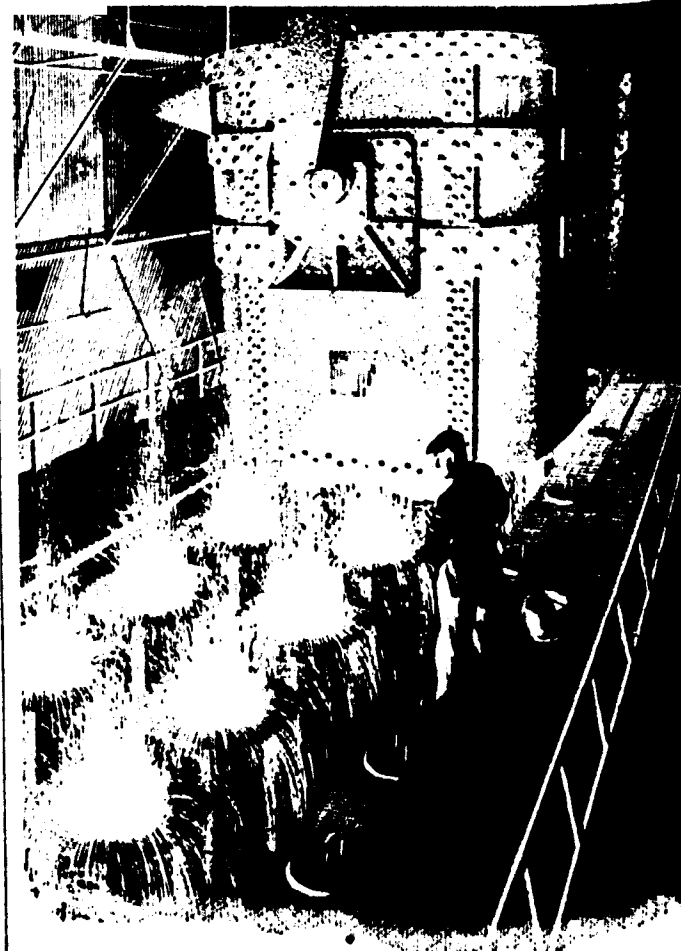
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Aviation Ltd. with the specially difficult operating conditions of the Western Islands in mind. These demand an aircraft that is rugged, able to land on grass or sand airstrips, and able to take off and land on very small areas. The twin-engined version of the Pioneer, capable of carrying about 16 passengers and taking off in 342 yards, has been developed as a private venture and the first prototype is due to fly this summer. The reason for the Ministry's decision to provide some financial support at this stage is more likely to be due to the possible military applications of the aircraft rather than its civil uses.

Experience suggests that the volume of air traffic in the remoter parts of Scotland is not big enough to encourage investment in new aircraft; but the prospects of atomic war, and indeed experience of operations in some of the less attractive jungle and desert conditions under which British troops are serving, has underlined the necessity for the Army of taking to the air. This rugged, light aircraft, with "exceptional take off and landing performance," is a direct and formidable competitor of the helicopter for these operations. No doubt political arguments in favour of supporting aircraft production in Scotland have also played a part in inducing the Treasury to consent to the Ministry's intervention.

Sables and Ermine...

THE winter fur auctions, the biggest of the year, went with a swing this month. In a large hall off Garlick Street, E.C.4, the rather dingy centre of the world's fur trade, the auctioneer sits on a dais overlooking the impassive faces of the buyers in the benches below. On either side of him are assistants, each closely scanning a section of the hall to spot the discreet signs of the bids. As this is a sale of Russian furs, the Russian representative sits on the auctioneer's left, and two other Russians are seated below. "One sixteen, one sixteen... all done at one sixteen." The auctioneer drops his gavel, and a Belgian buyer becomes the owner of one lot of 68 skins of ranched Russian mink, at 116s. a skin. In the warehouses nearby are millions of furs—some baled, some laid out for inspection—that have journeyed up the Thames from Russia, Canada, the United States, Scandinavia, South West Africa and elsewhere. Wild furs and ranched furs; sable and ermine, mink and Persian lamb; silver and blue fox, baum marten and squirrel, marmot and musquash, Brazilian otter, Australasian opossum and Baghdad lamb. The buyers, too, have come from a score of countries. Their stocks have been sold, they have money in the bank, and they are restocking for the autumn. Bidding has been extremely keen and spread over a wide variety of furs. Last year prices declined steadily, except for the ever-desirable mink. The United States, inevitably the largest consuming country, banned the import of seven varieties of Russian furs, which resulted in heavier offerings in Europe. This year, although the United States is buying much less than usual, prices have been firm because demand from the Continent, particularly Germany, and other countries has risen sharply. Prices of Persian lamb from South West Africa were very firm compared with the December sale, male ranched mink was about 10 per cent, and the female about 15 per cent higher than in January,

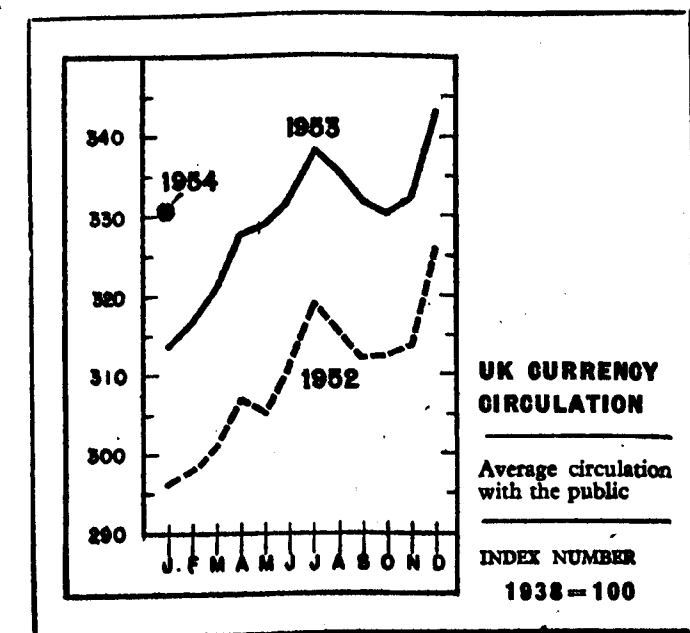
and ermine was about 10 per cent higher. Although the winter auctions are usually good, because they attract large numbers of small buyers as well as the large firms, the trade feels that prices should hold their present levels. At the latest auctions some 10 million skins were on sale, and for some varieties the quantities offered were a record. London has not only regained its prewar lead, but appears to be increasing it. The closing of the Russian selling organisation in New York has diverted more trade to London and increased the competition here. Sellers are therefore tending to send more furs to Garlick Street.

SHORTER NOTES

Associated British Engineering has announced that it has sold its holding of 2 million 5s. Ordinary stock units in Brush Electrical Engineering to Thomas Tilling. The deal has been done at the current market price which on Wednesday was 5s. 7½d. per unit. The deal involves only one-sixth of the Brush ordinary capital and a sum of approximately £550,000. It however breaks the close connection between Brush and Associated British Engineering built up under the chairmanship of the late Mr A. P. Good. Thomas Tilling, the former transport owners, is now an industrial holding company and has substantial cash assets.

★

A meeting to discuss the future of the North Atlantic weather ships is being held this week in Paris by the International Civil Aviation Organisation. Last autumn the United States Government announced that all 14 American ships, out of a total of 25 ships used to operate the service, would be withdrawn from service by July, 1954, when the present agreement expires. This would leave the whole of the Western Atlantic without means of high-altitude weather forecasting, which would be a distinct handicap to transatlantic air traffic. There have since been signs that the American Government was prepared to reconsider its attitude, and the presence of an American delegation in Paris tends to confirm this view.



Company Notes

IMPERIAL TOBACCO.—Tobacco equities flickered up in the stock markets immediately after the preliminary announcement from Imperial Tobacco Company that its dividend was to be left unchanged at 20 per cent while its profits had risen slightly. "Imps" themselves were marked up by 1s. to 56s., to offer a yield of 7 3s. per cent. The report for the year to October 31st showed that the profits of the Imperial Tobacco group had risen from £20,250,742 to £21,024,368 and that the profits of the parent company, that is of the tobacco company proper, had fallen slightly, from £18,896,593 to £18,823,674.

This direct comparison understates the improvement in Imperial Tobacco's fortunes last year, for the profits both of the parent company and of the group in 1951-52 included a surplus of £612,000 arising from the conversion of dollar leaf tobacco (purchased before devaluation) at

	Years to Oct. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	20,250,742	21,024,368
Total income.....	23,092,475	24,028,611
Taxation.....	13,536,060	13,578,947
Net profit.....	9,556,415	10,449,664
Ordinary dividends.....	6,310,592	6,611,097
Ordinary dividends (per cent).....	20*	20
£1 ordinary stock at 56s. yields 7 3s. per cent.		
* Equivalent rate on new capital of £60,100,880 after 60 per cent share bonus in August, 1952.		

the post-devaluation rate of exchange. If this surplus is excluded, the other way of looking at Imperial Tobacco's profits shows that the parent company's profits have risen by about £540,000 and the group's profits by about £1,385,000. Thus, the modest increase in the earnings of the parent company suggests that Imperial Tobacco benefitted slightly from the marginal increase in the consumption of tobacco in 1952-53 but that further rises in costs, particularly in wages, kept the improvement in profits on a tight rein.

The rather more impressive increase in the earnings of the group as a whole probably springs from the important influence that paper and packaging have upon the group's prosperity. Packaging is both a cost to the group and a source of revenue; some of the subsidiaries do "quite a substantial amount of trade" in packaging materials outside the group. These subsidiaries bore the cost of the steep fall in raw material prices in their 1951-52 accounts; probably in the latest year profits from this trade have shown improvement. For the group as a whole the cost of these materials will have been lower, and, as the accounts of Tate and Lyle have already shown, this sort of change in costs can have an impressive effect on a company depending upon small margins and a huge turnover.

The slight alteration in profits, arising from a special cause, cannot dislodge the general impression that earnings in the tobacco industry are not likely now to advance much further. Tobacco equities

seem rather more vulnerable than other industrial "blue-chips." This vulnerability has been accentuated by the serious concern about the statistical correlation between lung cancer and smoking.

BOWATER PAPER CORPORATION. An increase in the profits of the Bowater group and, rather more problematically, an increase in its equity dividend have been in the back of investors' minds for some time. Both the prediction and the hope have been justified. The group's trading profits in the year to September 30th advanced from £6,708,295 to £8,184,070 and the equity dividend has been edged up from 15 to 16 per cent.

A bigger increase than this 1 per cent seems to have been precluded, in the directors' view, by the fact that in the spring the corporation's ordinary capital will be increased by another £1,800,000 when the £1 shares now under option are issued at par. The dividend decision cannot have been an easy one for the board to reach. The expansion of the group over years has been impressive and the directors must have felt that the latest increase in profits was far more genuine than that in 1950-51, when profits were inflated by inventory gains and when the

	Years to Sept. 30, 1952	1953
Consolidated earnings:—		
Bowater Paper:		
Trading profit.....	6,708,295	8,184,070
Depreciation.....	1,476,838	1,631,150
Taxation.....	3,017,114	3,284,509
Net profit.....	1,798,290	2,867,051
Ordinary dividends (per cent).....	15	16
Bowater's Lloyd:		
Trading profit.....	593,333	1,483,394
Net profit.....	123,333	613,394
Bowater's Mersey:		
Trading profit.....	322,614	689,185
Net profit.....	110,497	290,199
Bowater's Sales:		
Trading profit.....	545,199	399,692
Net profit.....	164,484	133,284
Bowater's Newfoundland:		
Trading profit.....	12,765,258	10,777,392
Net profit.....	4,617,474	3,441,605

dividend was appropriately left unchanged at 15 per cent. Last year the increase in profits was also achieved without the aid of the new paper and pulp mills in Tennessee, which should come into operation in the spring, though the new capital required to build this plant was already being serviced. And it was achieved while the installation of new power plant and newsprint machine was still in progress at the corporation's mills in Kent. A further consideration, apparently, was the fact that the group's financial resources have been strengthened; its net current assets at the end of September totalled about £16,750,000, an increase of £2,680,000 over the 1951-52 figure.

The consideration which, however, must have been given the greatest weight was the revival in the group's trade last year. The trade recession, which gave

the group's earnings a very sharp knock in 1952, was followed in 1953 by "a marked and sustained improvement in trading conditions in this country." This improvement is reflected in the advance in the group's trading profits. The group makes a large part of the newsprint which British newspapers use. So year after year the directors have been at pains to explain that the high profits come from the overseas interests and that home newsprint profits are quite small. This year they say the same thing, but *sotto voce*. The bulk of the earnings still come from the overseas interests, but a larger proportion than usual was contributed by British subsidiaries. The accompanying table shows that while the Newfoundland company's profits declined, earnings of at least two British subsidiaries increased.

Bowater's preliminary report has come at a time when the plea for bigger newspapers has taken on a fresh lease of life. Bigger newspapers may or may not mean fatter profits for the newspapers themselves, but they should certainly mean bigger profits for the owners of the largest integrated woodpulp and newsprint mills in Europe. This is a factor that must have its place in any consideration of the yield of 6 17s. per cent offered by the £1 ordinary stock units at the current price of 46s. 9d.

ENGLISH ELECTRIC. The warning by the directors of English Electric that last November's 50 per cent share bonus did not necessarily imply an increase in equity dividends went more or less unheeded in the market, where the £1 units continued to be quoted on a comparatively low yield basis. It now turns out that the directors meant what they said, for by paying a final dividend of 6 1/2 per cent on the equity capital of £10,616,193 (as increased first by the £1,769,365 rights issue and secondly by the £3,538,731 bonus issue) on top of the interim dividend of 5 per cent on the

	Years to Dec. 26, 1952	1953
Consolidated earnings:—		
Gross profit.....	5,481,002	6,042,380
Depreciation.....	1,121,968	1,262,460
Taxation.....	2,909,516	3,226,023
Net profit.....	1,383,057	1,546,995
Ordinary dividends.....	418,013	535,253
£1 ordinary stock at 41s. 6d. yields 4 1/2 per cent.		

original capital they have effectively left the dividend rate unchanged. In 1952 they declared a full year's dividend of 15 per cent; the equivalent rate for a full year on the new capital is 10 per cent. This is the rate on which yield calculations should now be based, and it should be remembered that this dividend is servicing capital increased by an influx of new and presumably remunerative money, as well as the bonus shares issued last November.

The dividend disappointed the bulls, but the preliminary profits statement for 1953 suggests that the directors had little choice but to maintain for the present the effective rate of dividend. The group's net profits have risen by only £163,938 to £1,546,995. This increase

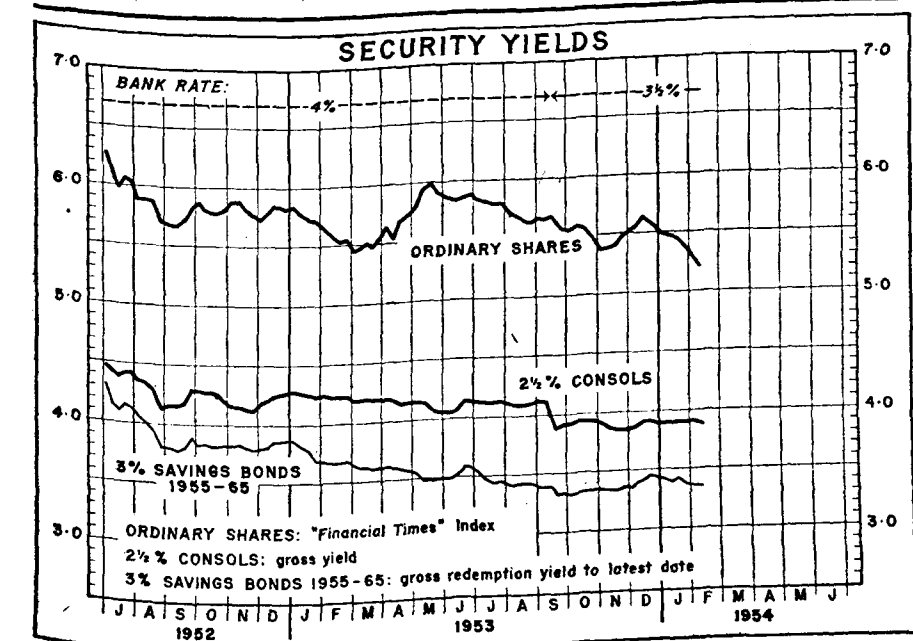
follows an advance in gross profits from £5,481,002 to £6,042,380. The rise is proportionately much smaller than those recently announced by companies in the consumer goods trades. Naturally it is so, for the capital goods industries, of which English Electric is a good example, never suffered the sharp 1951-52 recession which a large section of the consumer goods industries experienced. Therefore they now offer far less scope for quick advance, strong though their order books may still be. In the very long run, the merits of English Electric's equity and of other capital goods equities are undimmed, but in the short run their yields occasionally look narrow.

LEYLAND MOTORS. One of the stock market's hunches that has gone wrong is that Leyland Motors would raise its dividend. Three weeks ago investors began buying in anticipation of a better dividend, and the £1 ordinary stock units were gradually forced up to 92s. 6d. The buyers, lured perhaps by the increased profits of Associated Commercial Vehicles, seem to have forgotten that Leyland had cut its prices a year ago and that in the summer its factories were on short time, because import restrictions had reduced the sale of commercial vehicles. Instead, they based their hopes on the improvement in trade that took place towards the end of the financial year—but which came too late to prevent trading profits for the year to September 30th, from showing a decline. As an investment, the record of Leyland Motors is far from even.

The group's trading profits did indeed fall, from £3,359,290 to £2,997,498, and so, too, did its net profits, from £928,612 to £771,297. And the directors left the equity dividend unchanged at 25 per cent. After this announcement, the company's £1 ordinary stock units were marked down 5s. 6d. to 87s. They lost all the gains that were made in the last three weeks; at 87s. the equity units yield just about 5 1/2 per cent.

BORAX CONSOLIDATED. The full report of Borax, for the year to September 30th, is reasonably encouraging. The group's trading profits have risen slightly from £1,337,297 to £1,385,539 and the chairman tells shareholders that "demand was at a very healthy level but wages and some costs increased again." Investment income fell slightly, from £325,912 to £314,786. A reduction in taxation was followed by an advance in net profits (from £510,521 to £617,192) and the directors decided to raise the ordinary dividend from 10 to 11 per cent. In the current year the directors will recommend a bigger interim dividend than the 2 per cent paid in the last seven years, but this step is towards an equalisation of the two dividend payments and it in no way foreshadows an increase in the full year's distribution.

The directors may have been encouraged to be a little more generous by the fact that the group's liquid resources were strengthened after stocks had fallen from £1,928,740 to £1,798,497. Planning a long way ahead the group has secured an agreement with its bankers in the United States to have a credit of £1 million on tap over the next ten years. There are no immediate plans for expansion or diversification in the United States but the directors feel that there may be a need for substantial funds over there sometime in the future. This credit will be secured on the group's investment in the United States Potash Company. Commenting on that investment, the chairman points out that recently the Potash Company has had to reduce its dividend, to an extent which will reduce the Borax group's income by about £30,000 this year. The United States Potash's profits were adversely affected by the fall in sales of fertilisers during the severe drought of 1953 and to a lesser extent by imports of the lower-priced German potash. Immediately after the publication of the full accounts the £1 deferred ordinary stock units were marked up by 4 1/2d. to 44s. 7 1/2d., to offer a yield of 4 1/2 per cent.



LONDON STOCK EXCHANGE

Next Account begins: March 3rd.
Next Contango Day: March 3rd.
Next Settlement Day: March 9th.

In the middle of the week the stock market staged a slight recovery from the losses recorded in equities just before and after the week-end. Gilt-edged prices drifted lower in a very quiet market after the details of the Transport issue were published but after the lists had been closed prices had begun to edge upwards again. Dominion and Colonial issues remained reasonably active, with much of the interest concentrated upon the longer dated 4 and 4 1/2 per cent issues. In the foreign market German Potash bonds were marked up, taking the Young and Dawes loans with them, on the details of the new offer, but they soon reacted from these new levels. Later in the week the German government issues made some fresh gains but on Thursday morning the Potash issues were again marked down. Elsewhere in the market "iron curtain" issues were dull but Greek and Japanese issues improved slightly.

Immediately before and after the week-end industrial equities made quite heavy losses in the face of a bout of selling. Once the selling orders had been carried through, however, prices again began to improve. Tobacco shares were particularly badly hit by the statement in Parliament on lung cancer and smoking; elsewhere in the market the biggest losses were reported in engineering, building material, electrical equipment and textile shares. Later on a better demand for leading equities brought about new gains in tobacco, engineering, store, electrical equipment, steel, and paper shares. Oil shares were dull at first but began to show signs of picking up again in late dealings on Wednesday and in early dealings on Thursday. Rubber and tea shares began the week on a reasonably steady note but later in a narrow market moved somewhat irregularly. No definite trend was noticeable among Kafirs; a rally in prices was staged on Tuesday and in early dealings on Wednesday but prices reacted sharply when profits were taken later on in the week. Base metal issues were inclined to sag.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2 1/2% Cons.	Ord.
Feb. 10...	139.9	112.28	3.89	5.19
" 11...	138.6	112.31	3.88	5.24
" 12...	137.3	112.37	3.88	5.29
" 15...	136.1	112.37	3.88	5.33
" 16...	136.6	112.43	3.88	5.32
" 17...	136.2	112.45	3.88	5.33
1954, High.	140.2	112.45	Total bargains 1954	
" Low.	131.1	111.78		
	(Jan. 1)	(Jan. 5)	Feb. 10	14,513
			" 11	13,784
			" 12	11,481
1953, High.	131.5	112.55	" 15	13,330
" Low.	113.9	105.68	" 16	11,198
	(Nov. 4)	(Nov. 27)	" 17	9,366
	(May 20)	(Jan. 5)		

* July 1, 1935=100.

† 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Feb. 17		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Feb. 10, 1954	Price, Feb. 17, 1954	Net Yield, Feb. 17, 1954 %	Gross Yield, Feb. 17, 1954 %	Prices, 1954 Jan. 1 to Feb. 17		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Feb. 10, 1954	Price, Feb. 17, 1954	Yield, Feb. 17, 1954 %
High	Low							High	Low						
100 1/2	99 1/2	Exchequer 2 1/2% 1955	100 1/2	100 1/2	100 1/2	1 3 11	2 4 4	48/6	41/4	12 1/2	STEEL & ENGINEERING		47/6	47/6	6 6 4
102 1/2	101 1/2	Exchequer 3% 1960	101 1/2	101 1/2	101 1/2	1 7 10	2 14 5	14/1 1/2	13/1 1/2	15 c	B.S.A. £1		13/9	13/9	6 15 3 1/2
100 1/2	99 1/2	Exchequer 3% '62-63	100 1/2	100 1/2	100 1/2	1 13 2	3 0 9 1/2	52/9	50/-	10 b	5 a Cammell Laird 5/-		52/-	51/-	5 17 8
99 1/2	99 1/2	Serial Funding 1 1/2% 1954	99 1/2	99 1/2	99 1/2	1 2 11	2 4 5	24/9	22 1/2	2 1/2	7 1/2 United Steel £1		22/6	23/9	7 11 7 1/2
99 1/2	99 1/2	Serial Funding 2 1/2% 1957	99 1/2	99 1/2	99 1/2	1 6 3	2 8 0	51/7 1/2	47/6	12 1/2	2 1/2 Vickers £1		51/6	51/-	5 17 8
101 1/2	101 1/2	Serial Funding 3% 1955	101 1/2	101 1/2	101 1/2	0 16 10	2 7 10	36/9	32/-	7 b	4 a Bradford Dyers £1		36/6	34/-	6 9 5
100 1/2	100 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	100 1/2	1 5 5	2 8 0 1/2	27/1 1/2	24/9	12	6 a Brit. Celanese 10/-		26/9	25/9	6 4 3 1/2
100 1/2	100 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	100 1/2	1 3 8	2 9 8 1/2	56/6	49/4	7 1/2	5 a Coats (J. & P.) £1		54/-	52/-	4 16 2
101 1/2	100 1/2	Nat. Def. 3% '54-58	101 1/2	101 1/2	101 1/2	1 5 6	2 12 11 1/2	54/9	50/4	6 1/2	6 1/2 Courtaulds £1		53/9	52/6	5 6 8 1/2
102 1/2	101 1/2	War Loan 3% '55-59	102 1/2	102 1/2	102 1/2	1 5 3	2 13 8 1/2	53/3	47/10 1/2	5 a	10 b Lancs. Cotton £1		52/-	49/-	6 2 5 1/2
97 1/2	95 1/2	Savings Bonds 3% '55-65	96 1/2	96 1/2	96 1/2	1 19 9	3 7 4 1/2	69/3	64/-	20 c	5 a Patons & Baldwins £1		65/7 1/2	66/3	6 0 9
98 1/2	97 1/2	Funding 2 1/2% '56-61	98 1/2	98 1/2	98 1/2	1 14 9	2 18 9	46/6	41/9	12 1/2	7 1/2 Assoc. Elect. £1		45/6	45/6	4 7 11 1/2
94 1/2	92 1/2	Funding 3% '59-69	93 1/2	93 1/2	93 1/2	2 3 5	3 12 4 1/2	44/-	38/-	10 c	2 1/2 B.I.C.C. £1		43/9	42/-	4 15 3
95 1/2	93 1/2	Funding 3% '66-68	94 1/2	94 1/2	94 1/2	2 1 6	3 9 6 1/2	44/6	39/3	5 a	6 1/2 English Elect. £1		42/6	42/6	4 14 1 1/2
101 1/2	100 1/2	Funding 4% '60-90	101 1/2	101 1/2	101 1/2	2 5 7	3 14 0 1/2	43/9	37/9	3 1/2	7 1/2 General Elect. £1		41/3	41/3	5 9 1
92 1/2	90 1/2	Savings Bonds 3% '60-70	91 1/2	91 1/2	91 1/2	2 4 5	3 8 11 1/2	20/6	18/6	6 1/2	3 1/2 Bristol Aero 10/-		20/-	19/6	5 1 3
90 1/2	88 1/2	Savings Bonds 2 1/2% '64-67	90 1/2	90 1/2	90 1/2	2 4 4	3 16 10 1/2	7/1 1/2	6/3 1/2	4 a	6 1/2 British Motor 5/-		7/-	6/9	7 15 7
103 1/2	101 1/2	Victory 4% '20-76	101 1/2	101 1/2	101 1/2	2 1 4	3 16 10 1/2	29/3	26/-	7 1/2	7 1/2 De Havilland £1		28/3	28/-	5 7 2
89 1/2	87 1/2	Savings Bonds 3% '65-75	88 1/2	88 1/2	88 1/2	2 6 8	3 15 9 1/2	41/7 1/2	35/9	15 c	15 c Ford Motor £1		41/3	39/3	3 16 5 1/2
94 1/2	93 1/2	Consols 4% aft. Feb. '57	94 1/2	94 1/2	94 1/2	2 6 8	4 4 11 1/2	53/6	47/7 1/2	6 a	9 b Hawker Siddeley £1		52/6	53/-	5 14 3
86 1/2	85 1/2	Conv. 3 1/2% aft. April '61	86 1/2	86 1/2	86 1/2	2 4 10	4 2 1 1/2	97/-	84/3	25 c	25 c Leyland Motors £1		96/3	87/6	5 14 7
64 1/2	63 1/2	Treas. 2 1/2% aft. April '75	64 1/2	64 1/2	64 1/2	2 3 0	3 18 8 1/2	31/-	31/-	2 a	8 b Raleigh Ind. £1		34/-	34/6	5 15 1 1/2
75 1/2	74 1/2	Treas. 3% aft. April '66	75 1/2	75 1/2	75 1/2	2 4 0	4 0 6 1/2	68/-	69/3	10 b	5 a Rolls Royce £1		69/4	68/9	4 7 3
93 1/2	92 1/2	Treas. 3 1/2% '77-80	93 1/2	93 1/2	93 1/2	2 5 5	3 18 8 1/2	5/5 1/2	5/5 1/2	12 c	12 c Standard Motor 5/-		6/7 1/2	6/4 1/2	9 8 3
94 1/2	92 1/2	Treas. 3 1/2% '79-81	93 1/2	93 1/2	93 1/2	2 5 2	3 18 8 1/2	26/3	23/7 1/2	20 c	10 a Boots Pure Drug 5/-		25/9	24/9	4 0 10
85 1/2	84 1/2	Redemption 3% '86-96	85 1/2	85 1/2	85 1/2	2 5 2	4 2 6 1/2	36/6	32/-	12 1/2	37 1/2 Debenhams 10/-		35/6	34/6	5 15 11 1/2
85 1/2	84 1/2	War L'n 3 1/2% aft. Dec. '52	85 1/2	85 1/2	85 1/2	2 5 2	4 2 6 1/2	101/-	92/9	17 1/2	5 a Lyons (J.) "A" £1		100/-	100/-	4 10 0
64 1/2	63 1/2	Consols 2 1/2%	64 1/2	64 1/2	64 1/2	2 6 3	3 15 11 1/2	86/9	73/10 1/2	35 b	20 a Marks & Spen. "A" 5/-		86/3	83/6	3 5 10
90 1/2	89 1/2	Br. Elec. 3% '68-73	90 1/2	90 1/2	90 1/2	2 6 3	3 15 3 1/2	69/4 1/2	64/-	20 a	40 b Woolworth 5/-		69/-	67/-	4 9 7
89 1/2	87 1/2	Br. Elec. 3% '74-77	88 1/2	88 1/2	88 1/2	2 6 3	3 15 3 1/2	9 1/2	8 1/2	30 b	5 a Anglo-Iranian £1		9 1/2	9 1/2	3 14 2
105 1/2	103 1/2	Br. Elec. 4 1/2% '74-79	105 1/2	105 1/2	105 1/2	2 2 6	3 19 8 1/2	56/10 1/2	53/4	12 1/2	2 1/2 a Burmah Oil £1		65/-	64/4	4 13 3
94 1/2	93 1/2	Br. Elec. 3 1/2% '76-79	94 1/2	94 1/2	94 1/2	2 4 4	3 17 7 1/2	43/3	43/3	12 b	4 a Royal Dutch 100 fl.		43/7	43/6	4 4 0
84 1/2	83 1/2	Br. Trans. 3% '78-88	84 1/2	84 1/2	84 1/2	2 6 10	3 17 5 1/2	100/10 1/2	93/4 1/2	10 1/2	5 a Shell Reg. £1		100/-	97/6	5 11 10
90 1/2	89 1/2	Br. Trans. 3% '68-73	90 1/2	90 1/2	90 1/2	2 6 4	3 16 0 1/2	20/7 1/2	17/6	5 1/2	15 1/2 Trinidad L. holds 5/-		20/3	19/9	4 12 0 1/2
102 1/2	100 1/2	Br. Trans. 4% '72-77	101 1/2	101 1/2	101 1/2	2 2 7	3 18 8 1/2								
85 1/2	84 1/2	Br. Gas 3% '90-95	84 1/2	84 1/2	84 1/2	2 4 10	3 15 8 1/2								
98 1/2	96 1/2	Br. Gas 3 1/2% '69-71	96 1/2	96 1/2	96 1/2	2 2 8	3 14 7 1/2								
101 1/2	99 1/2	Br. Gas 4% '69-72	101 1/2	101 1/2	101 1/2	2 1 11	3 17 8 1/2								

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953		Prices, 1954 Jan. 1 to Feb. 17		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Feb. 10, 1954	Price, Feb. 17, 1954	Yield, Feb. 17, 1954 %
High	Low	High	Low					
92	84 1/2	91 1/2	90 1/2	Aust. 3 1/2% '65-69	91 1/2	91 1/2	4 0 0 1/2	39/9
95 1/2	91 1/2	94 1/2	94 1/2	N. Zealand 3 1/2% '62-65	94 1/2	94 1/2	3 17 6 1/2	21/-
99 1/2	93 1/2	98 1/2	97 1/2	S. Africa 3 1/2% '54-59	98 1/2	98 1/2	3 17 7 1/2	58/9
73 1/2	66 1/2	72 1/2	71 1/2	L.C.C. 3% aft. 1920	72 1/2	72 1/2	4 2 9 1/2	58 1/2
95 1/2	90 1/2	95 1/2	95 1/2	Liverpool 3% '54-64	95 1/2	95 1/2	3 10 0 1/2	57 1/2
94 1/2	88 1/2	94 1/2	93 1/2	P.L.A. 3 1/2% '66-71	93 1/2	93 1/2	4 0 10 1/2	55/-
104 1/2	101 1/2	103 1/2	101 1/2	Agrie. Mort. 5% '59-89	102 1/2	102 1/2	4 13 0 1/2	67/9
77 1/2	66 1/2	75 1/2	75 1/2	Austria 4 1/2% '34-59	79	79	4 5 5 1/2	68/9
21 1/2	8	16 1/2	11 1/2	Chinese 5% 1913	16	15	Nil	75/9
74 1/2	49 1/2	78 1/2	71 1/2	German 5%	73 1/2	75	...	62/3
102 1/2	65	115 1/2	102 1/2	German 4%	109	114	...	6/3
139 1/2	119	145	132 1/2	Japan 5% 1907	143	144 1/2	...	24/-

Prices, 1954 Jan. 1 to Feb. 17		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Feb. 10, 1954	Price, Feb. 17, 1954	Yield, Feb. 17, 1954 %
High	Low							
46/-	43/9	7 a	7 a	BANKS & DISCOUNT				
62/6	58/9	6 a	6 a	8 b Barclays £1	45/-	44/6	4 9 11 1/2	76/6 1/2
81/6	74/10 1/2	8 a	8 a	8 b Lloyds "A" £5, £1 pd.	60/-	59/6	4 14 1	79/6
81/-	72/7 1/2	8 1/2 a	8 1/2 a	8 b Midland £1 fully pd.	78/6	78/-	4 2 1	52/-
90/-	81/6	9 a	9 a	8 1/2 b N. Prov. "B" £5, £1 pd.	74/6	73/-	4 13 2	18 1/2
100/-	92/-	7 1/2 a	7 1/2 a	9 b Westminster, £4, £1 pd.	84/6	83/6	4 6 3	60/-
60/-	54/6	5 a	5 a	17 1/2 b Alexander, £2, £1 pd.	96/6	96/6	5 3 8	79/6
51/6	46/9	5 a	5 a	5 b Nat. Disc. "B" £1	58/-	58/-	3 9 0	48/3
41/-	38/6	4 a	4 a	5 b Union Disc. £1	47/6	47/6	4 4 3	16 1/2
45/7 1/2	40/3	9 b	9 b	4 b Barc. (D.C. & O.) "A" £1	40/6	40/6	3 19 0	50 a
				7 a Chart. Bk. of India £1	45/-	45/-	6 4 5 1/2	175 b
10	9 1/2	85 b	50 a	Leg. & Gen. £1, 5/- pd.	9 1/2	10	3 7 6	20 a
21 1/2	20 1/2	40 1/2 b	20 1/2 a	Pearl £1, fully pd.	21 1/2	21 1/2	5 0 3	53 1/2 b
38 1/2	35 1/2	100 1/2 c	105 1/2 c	Prudential "A" £1	38	37 1/2	5 2 3	60 a
128/3	126/-	10 a	33 b	Bass £1	126/10 1/2	126/10 1/2	6 15 7	60 b
19/9 1/2	17/4 1/2	15 b	7 1/2 a	Distillers 4/-	19/6	19/-	4 14 9	53 1/2 b
33/6	31/7 1/2	7 a	11 b	Guinness 10/-	32/6	32/6	5 10 9	60 a
8/9 1/2	8/3 1/2	4 a	8 b	Ind. Coops 5/-	8/6	8/6	7 1 2	80 a

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 7 1/2% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18 1/2%. (i) 12% paid for 9 months; yield basis 15%. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 14%, as forecast by Company. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 11 1/2% after capital bonus. (o) Yield basis 9%. (p) Also 5% net capital distribution, not included in yield. (q) Yield basis 15% after capital bonus. (r) Yield basis 15 1/2%, as forecast by Company. (s) Yield basis 19 1/2% gross. (t) Yield basis 7 1/2%. (u) Also 2 1/2% tax free out of capital profit, not included in yield. Yield basis 20%. (v) Yield basis 18-18% gross. (w) Yield basis 11 1/2%.

New York Closing Prices

	Feb. 10	Feb. 17		Feb. 10	Feb. 17		Feb. 10	Feb. 17
Balt. & Ohio	20 1/2	20 1/2	Am. Smelting	30 1/2	29 1/2	Inter. Paper	60 1/2	59
Can. Pac.	25 1/2	24 1/2	Am. Viscose	35 1/2	35 1/2	Nat. Distill.	19 1/2	18 1/2
N.Y. Cent.	21 1/2	24 1/2	Col. of Amer.	20 1/2	20 1/2	Sears Roebuck	61 1/2	61 1/2
Pennsyl.	17 1/2	17 1/2	Chrysler	59 1/2	57 1/2	Shell	86 1/2	87
Amer. Tel.	160 1/2	160 1/2	Gen. Elec.	92 1/2	95	Std. Oil of N.J.	78 1/2	77 1/2
Stand. Gas	12 1/2	12 1/2	Gen. Motor	62 1/2	61 1/2	U.S. Steel	40 1/2	40 1/2
United Corp.	5 1/2	5 1/2	Goodyear	58 1/2	56	Westinghouse	55 1/2	54 1/2
W. Union Tel.	41 1/2	42	Inter. Nickel	38 1/2	37 1/2	Woolworth	44 1/2	43 1/2

* Ex dividend.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
WHOLESALE PRICES ⁽¹⁾ (1948 = 100)												
1938	31	26	44	6	63	0.4	43	2	36	55	52	21
1952	253	114	143	163	165	149	129	97	140	152	148	104
1953	239	107	134	155	...	...	...	...	...	152	140	...
1953												
August	243	106	131	154	159	190	128	97	133	152	138	103
September	238	106	132	154	159	191	128	96	133	152	138	105
October	238	106	132	153	159	191	128	96	133	153	138	106
November	239	106	131	154	159	190	...	96	134	152	139	109
December	239	106	131	155	...	...	...	...	...	152	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	...	...	...	...	...	136	130	...
1953												
August	209	106	...	143	108	167	126	116	130	136	130	114
September	210	106	...	141	107	171	...	116	131	136	130	114
October	211	106	123	141	107	171	...	117	131	137	130	114
November	211	107	...	141	107	172	...	117	130	137	130	...
December	211	106	...	142	...	...	...	...	...	137	130	...

IMPORT PRICES ⁽²⁾ (1948 = 100)												
1938	...	27	40	7	39	...	39	1	24	32	45	21
1951	241	120	133	187	127	...	128	112	131	128	145	91
1952	250	116	130	182	121	...	129	109	131	132	154	91
1953												
July	280	110	...	...	...	...	123	105	116	119	...	92
August	276	109	117	165	104	...	125	101	115	125	138	90
September	281	108	...	...	103	...	123	100	113	123	...	91
October	280	107	...	...	101	...	124	106	116	122	...	89
November	276	...	...	...	102	...	...	...	...	120	...	...

EXPORT PRICES ⁽³⁾ (1948 = 100)												
1938	...	25	40	6	51	...	37	1	25	32	42	24
1951	233	120	109	146	122	...	123	110	115	138	155	128
1952	263	120	114	158	131	...	126	107	117	137	153	122
1953												
July	256	101	...	...	123	...	123	100	95	124	...	114
August	246	99	106	147	122	...	129	104	97	119	...	142
September	248	100	...	...	121	...	126	106	99	117	...	112
October	243	100	...	...	119	...	135	106	...	116	...	106
November	242	96	...	...	121	...	...	...	...	116	...	...

CURRENCY IN CIRCULATION ⁽⁴⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
1938	...	23.6	425	112	...	...	18.2	19	1,048	455	1,040	213
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	...	...	1,811	...	...	...	69.0	...	...	...	...	1,365
1953												
August	9.39	104.8	1,729	2,214	10.88	2,769	67.9	1,261	3,228	2,825	4,400	1,413
September	9.39	104.4	1,750	2,227	11.03	2,971	68.4	1,280	3,233	2,802	4,430	1,460
October	9.46	104.2	1,844	2,229	11.13	3,141	71.0	1,272	3,277	2,847	4,590	1,518
November	9.68	103.9	1,861	...	11.17	3,137	72.7	1,290	3,301	2,833	4,590	1,486
December	...	...	2,048	...	...	...	74.3	...	...	...	...	1,460

GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁵⁾ (mn. US dollars)												
1938	...	736	76.7	2,791	...	26.8	59	201	1,003	128.3	512	34
1952	...	1,077	142.1	676	1,165	9.9	219	910	929	148.3	379	191
1953	...	1,090	166.8	...	...	10.5	234	...	1,161	138.4	425	212
1953												
August	...	1,043	151.3	584	1,685	10.5	218	...	1,093	147.3	388	209
September	...	1,042	164.2	589	1,721	10.5	223	...	1,118	153.0	399	210
October	...	1,058	165.4	601	1,795	10.5	232	...	1,138	151.8	411	213
November	...	1,077	168.1	...	1,862	10.5	235	...	1,154	147.6	418	215
December	...	1,090	166.8	...	...	10.5	234	...	1,161	138.4	425	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 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 February 13th, there was an "above-line" surplus (after allowing for Sinking Funds) of £58,597,000 compared with a surplus of £149,287,000 in the previous week and a surplus of £53,923,000 in the corresponding period of last year, raising the cumulative surplus to £210,860,000 (£173,457,000 in 1952-53). Net expenditure "below-line" absorbed £14,974,000 which brought the total cumulative deficit to £140,141,000 (£325,619,000 in 1952-53).

'000	Estimate, 1953-54	April 1, 1952 to Feb. 14, 1953	April 1, 1953 to Feb. 13, 1954	Week to Feb. 13, 1953	Week to Feb. 13, 1954
Ord. Revenue					
Income Tax	1732,250	1412,717	1422,785	82,180	80,345
Sur-tax	127,000	104,100	104,200	5,900	6,500
Death Duties	160,000	130,850	141,900	4,600	3,300
Stamps	52,000	43,550	48,800	1,000	1,500
Profits Tax & E.P.T.	214,000	345,600	169,400	5,500	2,500
Excess Profits Levy	99,500	1,000	57,050	150	1,300
Special Contribution and other Inland Revenue	1,000	1,800	1,070	130	...
Total Inland Rev.	2135,750	2039,617	1945,205	99,460	95,445
Customs	1044,300	904,952	921,086	18,302	19,605
Excise	680,480	673,263	665,530	22,015	18,070
Total Customs and Excise	1724,780	1578,215	1586,616	40,317	37,675
Motor Duties	69,000	66,572	72,165	806	533
PO (net receipts)	2,685	7,200	...	...	3,900
Broadcast Licences	16,000	11,900	13,550	...	...
Sundry Loans	25,000	22,174	35,018	...	333
Miscellaneous	95,000	97,117	103,668	57	730
Total	4368,215	3815,595	3763,421	140,640	138,616
Ord. Expenditure					
Debt Interest	615,000	484,407	481,186	2,506	3,669
Payments to N. Ireland Exchequer	48,000	36,450	42,060	...	...
Other Cons. Fund	10,000	9,712	8,765	1	10
Supply Services	3586,286	3082,687	2991,463	83,500	75,300
Total	4259,286	3613,257	3523,475	86,007	78,979
Sinking Funds	...	28,881	29,086	710	680
Net Receipts from:					
Reserve Certificates	58,353	39,122	21,249	15,206	...
Savings Certificates	12,300	15,450	700	400	...
Defence Bonds	47,479	34,398	241	60	...
Total Surplus or Deficit	325,619	140,141	39,549	43,983	...

"Above-line" Surplus or Deficit	173,457	210,860	53,923	58,597
"Below-line" Net Expenditure	499,076	351,001	14,374	14,974
Total Surplus or Deficit	325,619	140,141	39,549	43,983

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
Feb. 14	2,900.0	1,406.1	235.1	...	4,541.2
Nov. 14	4,591.7	253.9	...	...	4,845.5
21	4,604.2	268.8	...	...	4,873.0
28	4,620.5	254.0	...	...	4,875.1
Dec. 5	4,674.4	342.5	...	...	4,916.9
12	4,726.3	283.1	...	...	4,966.7
19	4,759.0	268.9	...	...	5,026.9
31	4,853.5	250.1	...	...	5,103.6
1954					
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	...	4,502.6
6	3,040.0	1,362.5	236.0	...	4,638.5
13	3,040.0	1,303.8	265.7	...	4,609.5

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 was still generally short in Lombard Street in the week covered by the Bank return, but there was no acute stringency comparable to that experienced in the previous week. Before the weekend market funds were not quite adequate for demands and the authorities stepped in each day to buy very small quantities of bills through the banks. Their purchases on Monday were somewhat larger, but on Tuesday none at all was needed, even though some houses had to repay loans from the Bank. Conditions tightened again on Wednesday and, despite some further indirect aid, a number of houses were forced to part with early May securities at 2½ per cent—that is, ½ per cent above the prevailing rate.

The market maintained its bid at £99 9s. 8d. per cent at last week's Treasury bill tender, at which the amount of bills on offer was raised by £10 million to £230 million. Applications, however, were down by over £16 million, to £369.9 million, and the market's allotment accordingly rose from 49 to 58 per cent. At yesterday's tender, the offer was raised further, to £240 million; if this is fully allotted there will be an excess of new bills over maturities of £10 million next week.

The Bank return shows an outflow of notes of £2.2 million in the week to Wednesday last. Government securities in the banking department rose by £2.1 million, but discounts and advances were down by £8 million—reflecting in part the repayment of the previous week's loans at Bank rate. As public deposits fell by £2.7 million and other accounts were also down, the fall in bankers' deposits was limited to £5.8 million.

LONDON MONEY RATES

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

* On February 12th tenders for 91 day bills at £99

1853



1953

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.

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but put your money in trust."

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The care of money
demands expert guid-
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account with Martins
Bank is one way of
ensuring the orderly
conduct of one's
financial affairs.

The Bank has nearly
600 branches through-
out England and Wales,
and the Manager of
your nearest branch
will be pleased to offer
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MARTINS BANK LIMITED



London District Office: 68, Lombard St., E.C.3

HEAD OFFICE: 4, WATER ST., LIVERPOOL 2

Total Assets (as at 31st December 1953) £359,885,065

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Assets Exceed \$2,300,000,000. 600 Branches across Canada.

Incorporated in Canada in 1817 with Limited Liability



Established 1825

THE NATIONAL BANK LIMITED

Member of the London Bankers' Clearing House

CAPITAL SUBSCRIBED	£7,500,000
CAPITAL PAID-UP	£1,500,000
RESERVE FUND	£1,435,000
DEPOSITS (31-12-53)	£79,395,000

A COMPLETE BANKING SERVICE

SPECIAL DEPARTMENTS FOR FOREIGN EXCHANGE,
INCOME TAX AND EXECUTOR AND TRUSTEE
BUSINESS

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BRISTOL, NEWPORT, CARDIFF, SWANSEA, etc.

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Branches at BELFAST, CORK, LIMERICK, WATERFORD
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projected interests in the Dominion.

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BANK OF NEW ZEALAND

(Incorporated with limited liability in New Zealand)

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E.C.4.

Head Office:
Wellington,
New Zealand.

Branches also in
Melbourne and Sydney (Australia), Suva, Lautoka
and Labasa (Fiji), Apia (Samoa).

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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

ABBAY NATIONAL BUILDING SOCIETY

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(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

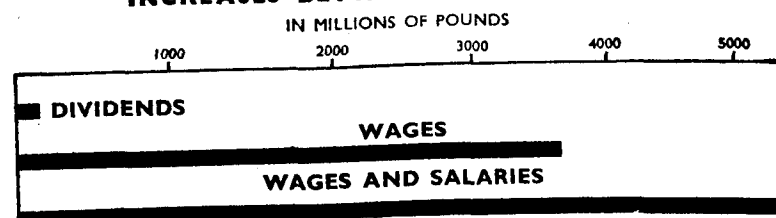
COMPANY MEETINGS

LLOYDS BANK LIMITED

FACTS ABOUT DIVIDENDS AND WAGES

LORD BALFOUR OF BURLEIGH'S STATEMENT

INCREASES BETWEEN 1938 AND 1952



The annual general meeting of Lloyds Bank Limited was held on February 12, 1954, at the head office, 71 Lombard Street, London, E.C.

The Right Hon Lord Balfour of Burleigh, DCL, DL, the chairman, presided.

With the concurrence of the members present the report and accounts and the statement by the chairman, all of which had been previously circulated, were taken as read.

In moving the adoption of the report and accounts the chairman said:

As I notice a tendency in some quarters to make the small increase in dividends recommended by some bank boards, including our own, an excuse for still further pressing wage claims, I want as an addendum to my statement already in your hands to try to bring into proper perspective the relative importance of wages and dividends in relation to inflationary pressure.

The additional dividends declared for 1953 by the clearing and other banks were considerably less than £1 million gross: to be precise, £853,000. In the calendar year 1953 wage increases amounted to £125 million. And remember that the present series of increases in bank dividends are the first changes since the drastic reductions of more than twenty years ago, whereas the £125 million of wage increases are simply the continuance of a process that has been going on since 1939.

Our present dividend of 14 per cent nominal actually represents a smaller money payment to a holder liable to tax at the standard rate than the 12 per cent dividend paid in 1938. In 1938 a holder of 100 "A" shares received £12, less tax, at 5s. 6d., i.e., £8 14s. Today he receives £14, less tax, at 9s., i.e., £7 14s. So he is down £1, even in money terms, and the real purchasing power of his present dividend is only two-fifths that of the 1938 dividend. The yield on an investment in our shares, with the 14 per cent dividend, at a price of 60s., is 4½ per cent, or, in actual cash, after deduction of tax, at 9s., just over 2½ per cent.

WAGE INFLATION

May I now put the relationship of wages and dividends in a wider setting? What we are concerned with is the weight of money as spending power in causing inflation, and the facts can surely leave no doubt that any contribution of higher dividends is quite negligible compared with that of wages and salaries.

The amount of money received as wages in 1952 was £5,460 million, and in wages and salaries taken together £8,215 million,

compared with £472 million in ordinary dividends. This means that in 1952 dividends on all ordinary shares were something less than 50 per cent higher than in 1938; on the other hand, salary incomes were about two and a half times as great as in 1938, and wages had more than trebled. In actual money, the increase since 1938 in wages alone was nearly twenty-five times as great as the increase in ordinary dividends. The increase in wages and salaries taken together was thirty-five times as great. (See Diagram above.)

It is also a fact that industrial production in 1952 was no higher than in 1950, yet during those two years wage incomes in the relevant industries increased by £542 million, and salaries by £153 million. To adapt a familiar advertisement: That's inflation, that is.

And while I am unlikely to be asked in this company what service the ordinary shareholder performs in return for his dividend, it is perhaps worth reminding ourselves that he is the source of the life-blood of industry, the risk capital without which labour could not have been set to work in the first instance. And without a constant supply of fresh risk capital, industry cannot work properly or continue to provide full employment. Moreover, of the millions of equity shareholders a large proportion are people of quite small incomes. The average individual holding of the 60,000 shareholders in our bank is in the "A" shares 248 and in the "B" stock £56.

What seems to me so regrettable is that attempts are being made in certain quarters to engender class bitterness by statements about wages and dividends which represent the dividend receiver as a profiteer, whereas in sober fact it is the wage earner who has been the real beneficiary of the inflationary process.

The *Daily Herald* has in fact taken pride in pointing out in its advertising that the real purchasing power of wage earners in 1952 was about one-third higher than before the war. And that is true even after payment of taxes and before making allowance for social security benefits. I think it is undeniable that this change has been brought about largely at the expense of other, and not only the wealthier, sections of the population.

We British are a magnanimous lot and no one, I believe, grudges the redistribution brought about by progressive taxation and designed expressly to help the poorest. But superimposed upon this process there is continuing a further redistribution due purely to inflation and benefiting all wage earners as such, regardless of the scale of their earnings.

The wage earner is at heart as magnanimous as anyone else, and I believe that if

these facts could be brought home to him he would hesitate before pressing a claim to a still larger share of the national income. For that is what is involved by any increase in wages without a corresponding increase in productivity; for example, if wages are raised to meet every rise in the cost of living—itsself often engendered by increased wages—other sections of the population have to meet the bill.

UNEMPLOYMENT DANGER

It is, I think, beyond doubt that if the wage earners exert their full power they can under present conditions, and in the short run, secure for themselves a still greater share of the national cake. In the light of the facts and figures I have just given you that would not seem to be a generous course, but in suggesting to the wage earner that it would be unwise, I am thinking less of magnanimity than of his own self-interest. For it is the stark truth that in our present economic position higher costs will, in a period quite short in terms of years, price us out of our export markets to an extent which, in my opinion at least, will create grave unemployment in this country—unemployment which no attempt to whip up internal purchasing power by cheap money or other expedients of the kind could conjure away.

What a wonderful thing it would be if we could wake up one morning to find each pound buying more; cost of living falling; real wages rising automatically. Yet this miracle could be brought about quite simply by higher productivity without higher costs. No one has more to contribute to, or more to gain by, that process than the earner of weekly wages. Moreover, he can nowadays rely with certainty on his bargaining power to secure for himself his full share of any increase in the national cake. My point is that—as things are now—he cannot safely take more until there is firmly and solidly a larger cake to divide, and a stable pound in which to draw his weekly wage.

It is a simple recipe; could we not try it?

The report and accounts were adopted and the other ordinary business transacted.

Votes of thanks were passed to the chairman and directors and to the staff.

MARTINS BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and twenty-third annual general meeting of Martins Bank Limited was held on Tuesday, February 16th, at the head office, Liverpool. Mr A. Harold Bibby, DSO, DL, the chairman, presided.

The notice convening the meeting and auditors' report were read.

The report and accounts for 1953 and statement by the chairman, all of which had been previously circulated, were adopted. The chairman said he thought the most gratifying aspect of the present position was that the bank's shares had once more emerged from what was fast becoming a fixed interest stock, back into a genuine equity and assured the shareholders that it would be the ambition of the board to maintain that position.

Resolutions were passed re-electing the retiring directors and fixing the auditors' remuneration.

A vote of thanks was unanimously accorded to Mr Bibby for presiding.

The chief general manager, Mr C. J. Verity, JP, acknowledged the tribute to the staff.

CLYDESDALE & NORTH OF SCOTLAND BANK LIMITED

CHANGING ECONOMIC CONDITIONS

SIR HAROLD E. YARROW ON PRIME IMPORTANCE OF HIGHER PRODUCTION

The one hundred and sixteenth annual general meeting of the Clydesdale & North of Scotland Bank Limited was held on February 10th in the head office, St. Vincent Place, Glasgow. Sir Harold E. Yarrow, Baronet, CBE, LLD, chairman of the bank, presided, and in the course of his speech said:

I am sure you will share with me a feeling of satisfaction in the position disclosed by the annual report and balance sheet.

RECORD ASSETS

The total assets show an increase of over £9 million compared with 1952 and, with the £200 million mark now passed, another landmark in Scottish banking has been established. In 1952 our deposits increased by over £7 million, and I am pleased to say that they have now gone ahead by a further £6½ million to a record total of £166,408,638. It may be of interest to mention that the increase of £13½ million in the past two years is greater than the total deposits of the Clydesdale Bank in 1911. While the continued growth of business activity and the growing inflation over the years is largely responsible for the increase, we can also claim that the wide service which we are now able to offer the public is a factor of no small importance.

The profit for the year shows a moderate increase of £39,327, but, at £429,495, is still £14,319 less than that recorded for the two constituent banks in 1938. Salaries and general charges continue to rise, but the reduction of 6d. per £ in income tax and the income from the larger resources at our disposal have resulted in an improved profit margin. The rate of dividend and the allocations of £32,500 and £100,000 to staff widows' fund and staff superannuation fund respectively are all unchanged, but the increased profit has enabled us to allocate £80,000 against £55,000 to reserve for future contingencies. The resulting carry-forward to 1954 of £199,257 is up by £2,187.

NO GROUNDS FOR EASY OPTIMISM

The past year has, on the whole, been one of fairly steady recovery from the reduced level of activity in 1952. But there are, I fear, no grounds for easy optimism; in fact, there are grave dangers ahead if we as a nation fail to realise the changes now in progress in the economic sphere throughout the world.

One fundamental fact which should be stressed is the extent to which we in Britain depend for our wellbeing on trade with overseas countries. Without export trade on a large scale we must not only decline in status as a world power but also suffer a serious decline in our standard of life.

Already there are definite indications that in some respects Britain is no longer holding her ground. The future is thus potentially grave. It seems to me, therefore, to indicate a serious misconception of the realities of our economic position that at this time a general movement should be afoot to raise further our industrial costs. I can only ascribe this policy to the fact that wage increases have been more or less regularly secured year by year, and that manu-

facturers' order books are still on the whole comfortably filled. Full order books, like full employment, carry their own dangers for the future if they result in constantly rising costs. If our prices are not competitive, a time will certainly come when replacement orders cannot be secured. That time, I suggest, is ominously near and in some cases has actually arrived. It is, then, surely unwise, to say the least, to speed its approach by our own deliberate action. The level of wages should by this time have regard to the need to secure orders in the future rather than being based on existing orders which are, in fact, being steadily worked off.

PROFITS THE BASIS OF NATIONAL WELFARE

Of prime importance is the need to increase production without an increase in costs. Indeed, higher production would actually bring about a relative reduction in costs—a very necessary result—and there can be little doubt that without any suggestion of hardship the additional effort needed to secure it could easily be made. As a nation we have not of late been guilty of overworking.

Increased output would, moreover, provide the only sound means of satisfying the desire for increased earnings. It might also, but with no certainty, lead to higher profits, but this, it should be emphasised, would be wholly to the national good. Apart from the fact that national prosperity—which, like peace, is indivisible—indicates a healthier economy and thus a greater assurance of comfort for all, profits are the basis of our national welfare. They not only, through the taxation, help to sustain our social security system, but they also provide the source of the capital which is constantly needed to maintain our productive machine at the highest pitch. They should, therefore, be encouraged rather than criticised. It is from profits that large sums have been expended in modernising industrial plant to increase both production and efficiency, and it cannot be too strongly emphasised that the present burden of taxation is diverting large sums which ought properly to be applied to this purpose.

To achieve the necessary expansion in economic activity, efficiency in organisation and intensified effort on the part of everyone engaged in industry—employers and employed—are absolutely essential if we are to sustain the volume of trade which we conduct with overseas markets and thus make our future secure. In any case, the alternative cannot be contemplated lightly, and there are already serious indications of a new upward movement in the costs structure with all that that implies.

I should like to emphasise afresh, however, that the remedy is in our own hands. Given an appreciation of the dangers ahead, and a general determination to advance the national rather than any sectional cause, we need not despair. Recent years have demonstrated afresh the inventive genius of the British people, and if this is supported by conscientious individual effort throughout the country the prospect need not be gloomy.

The report and accounts were adopted.

THE NATIONAL BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and nineteenth annual general meeting of the proprietors of The National Bank Limited was held on February 11, 1954, at 13 Old Broad Street, London, E.C.2. Mr Michael J. Cooke, the chairman, presided.

The secretary, Mr H. J. Woollard, read the formal notice convening the meeting and the report of the auditors.

The directors' report for the year, which had been previously circulated, was taken as read, and the chairman reviewed the principal movements in the balance sheet figures as compared with those of a year ago. Reference was made to the transfer from profit and loss account of £30,000 to the reserve fund, contributions of £126,677 to the staff pensions and provident funds and the provision for a final dividend of 6 per cent, making a total of 11 per cent for the year, which left the sum of £50,644 to be carried forward.

The Chairman moved: "That the profit and loss account for the year ended December 31, 1953, the balance sheet as at that date, and the directors' report be adopted by the meeting and entered on the minutes."

Sir Cornelius J. Gregg, KCB, KBE, LLD, seconded the motion, which was carried unanimously.

The retiring directors, Michael J. Cooke, Esq., Sir Evan M. Jenkins, GCIE, KCSI, and Sir George F. Murphy, Bt, were re-elected, and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Company and Messrs Stokes Bros. and Pim, was fixed.

BRITISH TABULATING MACHINE COMPANY

The forty-seventh annual general meeting of The British Tabulating Machine Company, Limited, was held on February 12th in London, Sir Cecil M. Weir, KCMG, KBE, MC (the chairman), presiding.

The following is an extract from his circulated statement:

Trade conditions during the year have presented a challenge to our sales force. People need more convincing to spend money when trade is difficult than when it is easy and we have, therefore, had to fight hard for the substantial increase in rentals and sales revenue we have achieved.

Satisfactory as the growth of our turnover has been in recent years, the nature of our rental business still makes it necessary for us to use financial resources beyond those provided by our earnings or our issued capital. It remains our intention to replace, at least to some extent, our short term borrowing by more permanent capital as soon as a suitable opportunity offers.

The company continues steadily to consolidate its financial and operational position. The company now manufactures any type of equipment previously obtained from the United States and, additionally, it has already placed on the market new machines both of the electro-mechanical and electronic types.

The group profit, before taxation, amounts to £630,619 as compared with £587,446 last year. We propose a final ordinary dividend of 5 per cent (making a total of 8 per cent for the year). Our various subsidiary companies in the United Kingdom are making a more and more useful contribution to the requirements of the parent company.

The report was adopted.

JONAS WOODHEAD AND SONS

(Manufacturers of Road and Rail Vehicle Suspensions)

RECORD OUTPUT

CAPTAIN ALLAN KYLE'S SPEECH

The thirty-fourth annual general meeting of Jonas Woodhead and Sons, Limited, was held on February 15th at Kirkstall Road, Leeds.

Captain Allan Kyle, the chairman, in the course of his speech, said: I have pleasure in presenting to you the balance sheet of your company at September 30, 1953, and from a group angle, a consolidated balance sheet and the consolidated profit and loss account. Alongside, you have the relevant figures for the previous year. As these accounts have been before you for some time, with your concurrence I will take them as read.

ACCOUNTS

You will see that once again we have done remarkably well. That is, we have again succeeded in creating a new record in output, again widened our markets in the export field and again reached a higher level of trading profit. But this delightful story ends abruptly in a blizzard of taxation liabilities. One does not mind a patch of bad weather, in fact it is expected, but when one has to face a howling blizzard for nearly nine continuous months, then it is cruel, disheartening and dreary. Out of a taxable revenue of £198,675, the fantastic sum of £144,154 has to be provided for the Exchequer leaving a miserable £54,521 for the company. We have to hand over to the Revenue, for the year under review, a sum of money in cash which is more than three times as great as the sum which the company is proposing to pay to its shareholders as dividend. By all means let us make a worthy contribution to the financial needs of the nation, but not to an extent where incentives gain no reward and the vitality of enterprise is stunted. Although the Excess Profits Levy has now ended, I should remind you that we have this liability with us for the first three months of our current financial period.

I do not think it is necessary to occupy your time in analysing the accounts in detail as they should be self-explanatory. Perhaps I should point out that the net consolidated trading profit recorded a further advance by £35,768 to the new high level of £303,767. Capital expenditure amounted to £201,700 which is reflected in an increase in the depreciation charge from £39,924 to £49,947. Current assets total £1,251,984, exceeding current liabilities by the substantial margin of £819,791. Most of this excess however is accounted for by stocks and debtors, cash being at a very low ebb.

NEW CAPITAL

Dealing now with the proposed new issue of 300,000 5½ per cent redeemable cumulative preference shares of £1 each, my letter of January 21, 1954, enclosing the notice of an extraordinary general meeting to be held immediately after the close of this meeting, gave a brief explanation of the proposed method of raising further capital and of the necessity for doing so. If the balance sheets of the past few years are examined in detail, then the reasons become obvious. In broad terms, our working capital has been absorbed in the acquisition of new and modern plant, the installation of which has been greatly accelerated over the last year or two, in the building up of reasonable stocks of steel, and in the general expansion

and broadening of the Group's activities both at home and abroad. For a time we were able to meet these calls with the aid of bank finance and of accruing profits, until such time as the latter had to be dissipated in paying resultant taxation. After a careful survey of current and foreseeable requirements of the business, your board came to the conclusion that the company needs £300,000 additional long term finance to carry on the business progressively and smoothly. On examination of the various alternatives available it seemed that, despite the unhappy incidence of profits tax, the interests both of the shareholders and of the company would best be served by an issue of preference shares on the terms indicated, particularly as every shareholder has the opportunity of subscribing for the new shares.

As you have already been informed, we have obtained the consent of the Treasury for the capitalisation of £131,250 out of reserves, in order to bring the issued ordinary capital more into line with your company's trading importance and to make its shares more marketable. This sum will be issued in the form of renounceable allotment letters to existing shareholders on the basis of 28 new fully paid shares for every 100 held.

SOUTH AFRICA

As you know, for some years past we have had a substantial but not a controlling interest in our two associated South African companies. An opportunity occurred during the past year to acquire further shares, with the result that these companies now become subsidiaries in which we hold approximately a 75 per cent interest. The addition of £38,221 to the balance on profit and loss account represents the proportion of undistributed profits referable to our original shareholding, while the balance referable to the additional shares recently acquired has been adjusted in capital reserves in the consolidated balance sheet. At this point, I might add that we are now the largest manufacturers of road and rail spring suspensions in South Africa. In taking a long-term view, we feel our investment and enterprise will not only prove highly satisfactory, but will indirectly more than offset the loss of our exports to the country through the effect of their import controls.

We have further developments under negotiation in other parts of the world, but I regret to say that I am not yet in a position to give you any reliable information in this regard.

THE RIGHT TO STRIKE

In view of the recent serious disturbances in many industries, I am wondering whether the time has not come when management will have to demand some form of protection for their own workpeople in regard to strike action.

It is an essential part of the rights of the British wage-earner that he should have the right to strike, and that his voice should be heard through his works committee or, at a higher level, through his union. All this is to the good and, as I have recorded publicly several times, the union officials with whom we are in direct contact are respected by us as responsible and earnest people.

maintain the British standards of fair play to both sides. But protection is needed by us all when this strike weapon gets into the hands of irresponsible people, actuated by dubious motives and operated by dubious methods, thus creating a state of affairs not only injurious to the nation, but to the workpeople themselves. When distant strikes take place in whatever phase of the country's activities, we here sooner or later feel the effect by the postponement or cancellation of orders or shortage of supplies and our fine and decent crowd of workpeople have to suffer, your assets become less productive and a well-planned industry is thrown out of gear.

The Companies Act has seen to it that the interests of the shareholders are widely and amply protected. They have the right to act and the power to investigate while their leaders, the directors, can be subjected to serious penalties if they fail in their duties. When shareholders make a decision by a majority vote, the world at large knows it is the expressed opinion of the majority because it has been reached within the framework of the law. When, however, we come to the affairs of the workpeople, and a strike is declared by a majority vote, are we all content and certain in our own minds that it is really the expressed opinion of the majority?

If there is this doubt then, in my opinion, it is the duty of employers' federations, trade associations and other similar bodies to press for the introduction of immediate legislation to remedy this weakness and to make it illegal for any body of persons to declare an official strike until it has received a majority vote of all the workers concerned, by secret ballot in a proper and regularised manner. Any other type of strike should become illegal. From discussions I have had, I would go so far as to say that all sensible thinking wage-earners would welcome such legislation and that any political party having the courage to introduce it would gain, and not lose, votes.

THE COST OF THE SPIRAL

It is no idle comment to say that we, along with the greater part of industry, have run into competition of some intensity not only in the home market but internationally. To those who have been ever on the watch to attain greater efficiency, both in equipment and methods of production, to achieve a greater throughput of products and to maintain a high level of return for the workers, there should be no real anxiety. In all modesty, I would like to include your group of companies in this category. These distant strikes to which I have referred did disrupt us a little while ago, but we are now once again in steady production, and I know very well that it is the earnest endeavour of every man in the organisation, whatever part he performs, to overcome this lag and to produce successful results by the end of the year, in the typical Woodhead spirit. To these people I would like to say thank you.

While I am on this subject of competition I would like to bring up the question of the seriousness and alarm caused by the ever-rising prices of our basic raw materials. Consider, for instance, the recent history of coal

larity, immediately followed with equal regularity by uplifts in the price of coke, gas, electricity, then steel, then transport charges, followed somewhat later on by price increases in everything else we have to buy. And so it goes on, an enormous spiral of price increases stemming from a nationalised industry, which individual industries can only slow down, but are powerless to stop. If only the Government had the courage and the initiative to step in and tackle the spiral at its base, and so stop the ever passing on of the snowball which becomes an avalanche, then perhaps their exhortations to private enterprise to produce more goods at lower cost and to increase exports might be more realistic both in sound and in effect.

The report and accounts were unanimously adopted and the proceedings closed with a vote of thanks to the directors, staff and workpeople.

At the extraordinary general meeting held immediately afterwards, resolutions were passed unanimously increasing the authorised capital of the company, adopting new Articles of Association and authorising the capitalisation of part of the company's reserves by the issue of additional ordinary shares.

THE METROPOLITAN RAILWAY COUNTRY ESTATES LIMITED

SUBSTANTIAL IMPROVEMENT IN PROFIT

SIR BERNARD DOCKER'S STATEMENT

The thirty-fourth annual general meeting of The Metropolitan Railway Country Estates Limited will be held on February 24th at Kensal House, 553-579 Harrow Road, London, W.10.

The following is an extract from the statement by the chairman, Sir Bernard Docker, KBE, circulated with the report and accounts for the year ended October 31, 1953.

Net consolidated profit for the year to October 31st last after providing for tax and profits tax is £36,190, including £15,565 arising from the book amount of the development rights, less tax, returned to the company by reason of the amendments to the Town and Country Planning Act, 1947. This shows a substantial improvement as compared with the previous year, for which the corresponding figure of net profits was £12,288.

We recommend a dividend of 10 per cent, less tax. The balance on consolidated profit and loss account to be carried forward will be £126,139, which compares with £109,199.

ESTATE DEVELOPMENT

In my statement last year I referred to the fact that we were at that time just beginning to resume building on our estates. We are now engaged in the development of further sections of those estates, making available a considerable number of building sites for houses. We are experiencing a very keen demand for these sites in spite of the high prices relative to prewar levels we are compelled to ask, having regard to current costs of road-making.

For some years past I have felt it necessary to deplore the adoption of and adherence to unrealistic policies in respect of housing and town planning. I am all the more happy, therefore, to join now in the congratulations

generally being offered to the Government and to Mr Macmillan in particular, for the success achieved in new housing this year and perhaps even more for the more realistic approach made to these problems.

At first sight the proposals in respect of housing repairs and rents and the programme outlined in the Government White Paper "Houses the Next Step" must appear timid and trivial in relation to the problems they are designed to solve. These are the problems created by many years of refusal by all parties to face up to the fact of steady deterioration in the condition of one of the country's major assets next to the people themselves, I refer of course, to the houses in which they live. At the same time my colleagues and I feel it our duty to commend the fact that a start has been made.

SUBSIDIARY COMPANIES AND ACTIVITIES

I am very glad to say that our farming venture in which we have a very substantial investment through our subsidiary, MRCE Farms Limited, has justified itself this year.

Our other subsidiaries have continued to trade on a small but successful basis. During the year our purchases of agricultural estates have been limited; we have directed our energies to a greater extent to the improvement of the existing estates and the negotiation of improved rentals.

Conclusion: I conclude by saying that our funds are fully and beneficially employed and that we face the future with quiet confidence that we shall continue to do a useful and constructive job in the several fields in which we are now committed and that in the absence of any sudden change in general conditions, these activities should enable us to continue to earn what we believe are satisfactory if moderate profits.

BUKIT KAJANG RUBBER ESTATES

MR JACK ADDINSELL'S STATEMENT

The annual general meeting of Bukit Kajang Rubber Estates Limited was held on February 11th in London, Mr Jack Addinsell, the chairman, presiding.

The following is an extract from his circulated statement:

The profit for the year before taxation amounted to £21,014 compared with £41,571 for the previous financial year. Although, as compared with 1951-52, the profit for the year was practically halved, the position was relieved to some extent by the lower provision for taxation.

The average price realised for our crop during the year was 9½d. per lb less than for the previous twelve months, and since the end of the financial year there has been a further fall in the price of between 2d. and 3d. per lb. All possible economies are being effected; unless there is an improvement it is unlikely that the directors will be able to recommend a distribution in respect of the current financial year.

The company has entered into a contract with H. and C. Latex Limited to dispose of the output of Bukit Kajang Estate in the form of field latex, which will assist in reducing estate costs. Rengo Malay Estate continues for the time being to manufacture smoked sheet.

Owing to a surplus of natural rubber the industry has entered a period of severe competition with the synthetic product and the question of production costs is now one of considerable concern.

The report was adopted.

THE NEWCASTLE BREWERIES LIMITED

OUTPUT CONSTITUTES A RECORD

The sixty-fifth annual general meeting of The Newcastle Breweries Limited was held on February 18 at the registered offices, Haymarket, Newcastle-upon-Tyne.

Mr Alex. McConnell (the chairman) presided and, in the course of his speech, said:

Various changes have taken place during the year in the general structure of the company. For many years it has been the policy of the board to place to reserves a proportion of the annual profits, much of which was invested in properties, and it was felt that the time had arrived when a part of these reserves might be capitalised. It was therefore decided to raise the ordinary capital from £400,000 to £1 million by issuing bonus stock at the rate of £3 for every £2 held. It was also decided to purchase the ordinary shares of The Northern Corporation Limited, which made that concern a subsidiary company, and along with Forsters Bishop Middleham Brewery Limited, another subsidiary, it has been placed in voluntary liquidation.

After the end of the financial year and after prolonged negotiations an offer was made for the ordinary shares of Robert Deuchar Limited, which was eventually accepted, thus making that concern a subsidiary of this company. This purchase, along with that of the ordinary shares of The Northern Corporation Limited, constitute a long term policy and may take some time to bear fruit.

Once again it is my pleasure to inform you that the output at the brewery in both draught and bottled beers constitutes a record. The higher gravity beers have accounted for most of the increases in deliveries, i.e., the Exhibition Pale Ale on draught and the Brown Ale in bottle. The standard beer sold in the houses at 1s. 2d. per pint has just about held its own. It is greatly to be wished that the Chancellor when opening his budget in the spring may see his way to reduce the duty to a figure that would allow this ale to be sold at 1s. per pint whilst retaining its gravity. Drinks of all kinds, and tobacco, are too heavily taxed, no doubt one of the causes of unrest throughout the country.

The trading profit for the year was higher by £52,000 at £700,418. This profit has had to bear a charge of £344,401 for taxation—an alarming figure which I think goes far to prove my contention last year that industry is being asked to provide far too much for taxation, leaving it too little to meet essential commitments for rehabilitation and reconstruction.

Cash resources since the end of the financial year have been completely altered owing to the purchase of the ordinary shares of Robert Deuchar Ltd. At present temporary accommodation has been provided by our bankers until a permanent scheme for additional capital has been arranged and which will be placed before you in the near future.

The amounts placed to general reserve and properties reserve will go some way to finance future capital expenditure, but I must warn stockholders that large sums will be needed in the near future for heavy expenditure at the brewery and bottling factory to provide for additional output and the purchase of contiguous properties required for further accommodation. On top of this licences in certain cases are now obtainable for the erection of public houses and hotels and very shortly we may be asked by the authorities to proceed with the building of those properties for which removal permission has been granted, or for which new licences have been obtained.

The report was adopted and the ordinary dividend of 6½ per cent was approved.

MILLS & ROCKLEYS POSTER ADVERTISING

GROWING DEMAND FOR SERVICES

The twenty-fifth annual general meeting of Mills & Rockleys, Limited, will be held on March 12th at Nottingham.

The following is an extract from the statement by the chairman and managing director, Mr George T. Mills, which has been circulated with the report and accounts:

It gives me satisfaction to report that in a year of rising costs in almost every department we have been able to maintain our profit figures without having recourse to increased charges. This year your board recommend an increase in the dividend on the ordinary shares to 1s. 2d. per share (compared with 1s. 1½d. last year) less income tax.

THE "HELLBERG" POSTER PANEL

Substantial progress has been made in the replacement of the older type of advertising structure by our Hellberg poster panels and public information panels which we introduced. The task of replacement is considerable and involves substantial capital and revenue expenditure over a number of years, but your board are fully satisfied that they are taking the right action to ensure that both the plant and service meet the more exacting requirements of advertisers and at the same time be acceptable to the public. We, therefore, decided to take the opportunity of the easier supply of materials to accelerate our programme of reconstruction to some extent.

It is a pleasure to record that the advertisement regulations are, broadly, now being operated by planning authorities with more reason and discretion. More of them are realising that outdoor advertising is an important economic necessity in the business life of the country. There continues to be a steady and, indeed, a growing demand for the services your company provides and I look forward with confidence to the future, provided that costs can be kept down. In this respect the growing burden of local rates is a question that gives your board concern.

QUARTER CENTURY OF PROGRESS

I draw attention with some pride to the fact that this company was formed just over 25 years ago and the progress it has made in a quarter of a century is, if I may say so, an achievement. When formed the business operated in towns with a collective population of some two million. Today it functions over an area comprising about 250 towns with some six million inhabitants. Its profits have grown (before tax) from £54,000 to some £150,000. The reserves and undistributed profits now amount to well over £300,000 and more than equal the amount standing in the accounts as goodwill. Goodwill, it should be remembered, is the difference between the price paid for the shares in companies acquired and the value of the tangible assets. It really is in the case of your company the price paid for the benefit of thousands of licences and agreements for advertising space held by the respective businesses and on which the earning power of your company is based. Except for the war and subsequent period your company has paid dividends of never less than 10 per cent on its ordinary shares and its issued capital has expanded from £348,000 to £622,000. The business has been built soundly on a conservative basis and enjoys an enviable reputation in the advertising world and among its many customers.

TEACHER (DISTILLERS) LIMITED

STEADY EXPORT SALES EXPANSION

The fifth annual general meeting of Teacher (Distillers) Limited was held on February 16th in Glasgow.

Mr R. M. Teacher (the chairman) presided, and in the course of his speech said:

The group profit for the year amounts to £573,788, as against £580,703. This slight reduction in the profit is almost entirely accounted for in the lower profit from our retail establishments, which reflects the lower spending power generally, and the considerable running and maintenance costs which we now have to face. The high figure for taxation, at £295,504, as against £332,230, is a reduction largely accounted for by a smaller requirement for profits tax, which gives a higher net profit for the group of £248,463, compared with £221,150 last year.

The general reserve has been increased by £150,000 to £500,000. During the middle of last year we commenced a programme of replacement and expansion of our plant and properties which had been held up owing to the difficulty of obtaining the requisite licences and materials. At Ardmore Distillery the original wash still had to be replaced, and it is our intention to bring the maltings more up to date. Warehousing of the larger stocks of whisky is becoming a problem and, while we are able to meet our needs for the moment, we will be faced with the expansion of our warehousing accommodation. Also, in order to meet the ever-increasing demand for our product, and to give greater speed and economical working, considerable replacements are required in our bottling plant to maintain it at the highest state of efficiency. It is for the above reasons that your directors anticipate that the additional resources will be required, and have thought fit to retain more by increasing the reserves against these commitments.

SALES

Turning to sales, export markets continue to show a steady increase, consistent with our policy of maintaining the high quality of our brand and with the availability of stocks. When it was announced that the quota system agreed with the Government for releases of Scotch Whisky for home consumption would terminate, it was taken in some quarters that there would be free supply on the Home market, or that such supplies would be at the expense of exports. It is neither true to say that there will be free supply on the Home Market, nor that exports will be reduced. Exports still remain an understanding with the Government, that they will be increased, or, at least maintained, while the Home trade will benefit only to the extent of the availability of stocks.

The dollar markets continue as the markets of first importance, and your company is still one of the largest earners in this field.

Home trade sales show the increased quantities which were distributed for the Coronation.

Production at Ardmore Distillery has been maintained at full capacity, and the results for the year were very satisfactory.

As to the future, we realise that the Scotch Whisky trade is approaching new problems—competitive and social, but I am confident that we are well prepared to meet them.

The report and accounts were adopted and a final dividend of 7½ per cent, making 12½ per cent for the year, was approved.

WILLIAM TIMPSON LIMITED

MANUFACTURERS AND RETAILERS OF FOOTWEAR

The twenty-fifth annual general meeting was held in Manchester on February 19, 1954. Mr W. H. F. Timpson (chairman) presiding. The following are extracts from the chairman's circulated statement:

SATISFACTORY YEAR

The directors consider the profit of £559,699 is satisfactory in a year in which the footwear trade has experienced many difficulties, not the least being the unseasonable weather—cold and wet in summer, followed by a dry, mild autumn.

As income tax is 9s. instead of 9s. 6d. in the £ the tax provision at £309,500 is £16,500 less and, in addition, £15,000 over-provided in previous years has been taken to credit. A balance arose on sale of assets and settlement of war damage claims, and these exceptional items brought the profit for the year, after taxation, to £265,199, against £205,615 in 1952. The general reserve is increased by £100,000 to £800,000, and stock reserve by £25,000, and this now stands at £275,000.

During the latter part of 1952, the fall in leather prices was arrested. 1953 showed a firmer market, and as the year progressed there was evidence of advances in values, against which your company was well covered by forward purchases.

BUSINESS EXPANSION

New shops have been opened in Newport (Mon), Scarborough, Workson, Redcar, Bebbington and Newall Green (Manchester), all trading satisfactorily.

Our North Park factory has been employed to capacity producing shoes of finest character to maintain the well-known Timpson tradition of quality.

The company's export trade has continued successfully and directors have been in personal touch with our American agents.

Following the call for Branded Footwear on which the public may rely as to value and durability, I make special mention that we manufacture ladies' shoes under the name of "Flexite," children's are branded "Walk-right," and our men's "Empire" shoe is one of the most reliable and best-known products in the footwear trade.

INCREASED DIVIDEND

It has been your directors' policy to keep the shareholders' interests in mind, and benefits from our trading have been passed on in the form of dividends and bonus shares, and by progressively increased distribution. Shareholders will be glad to know that this year we have again been able to recommend an increase in dividend of 5 per cent, making a total of 20 per cent for the year.

PENSION FUND

The company's contribution on account of pensions was over £50,000, and the fund now holds invested capital of over half a million pounds.

BONUS TO EMPLOYEES

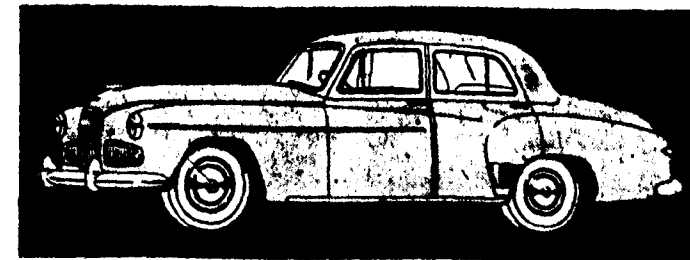
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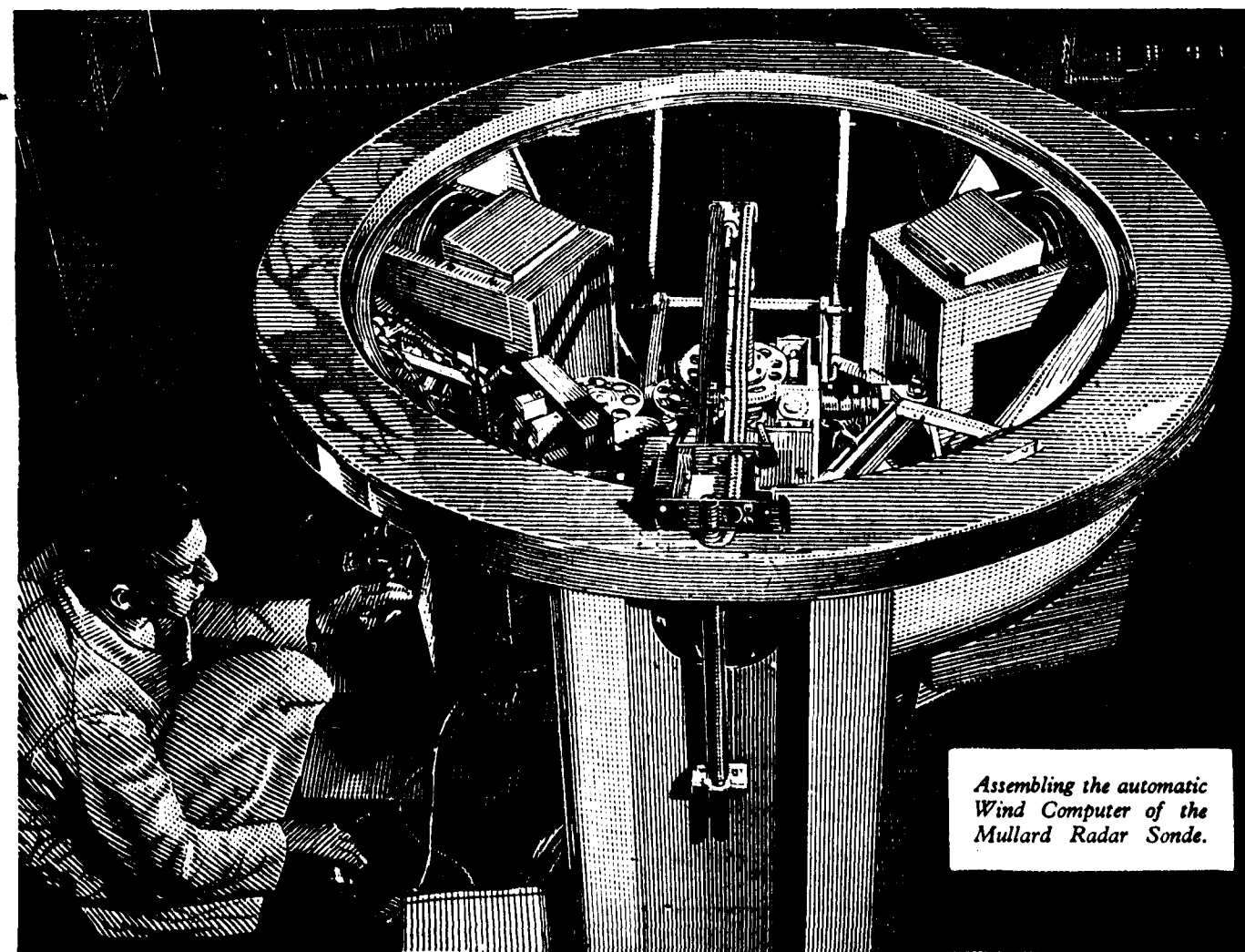
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A new technique for weather forecasting has, however, now been developed. By employing an equipment known as Radar Sonde, the complex conditions in the upper atmosphere can be accurately measured and recorded.

A small balloon carries a miniature radio and

meteorological station up to a height of 100,000 ft. and is borne by the wind to distances exceeding 100 miles. Throughout its flight the balloon is continuously interrogated by a powerful radar transmitter, and the answers are transmitted back by return.

As the information is received at the ground station it is decoded, computed and recorded to give a detailed picture of wind speed and direction, and of temperature, pressure and humidity.

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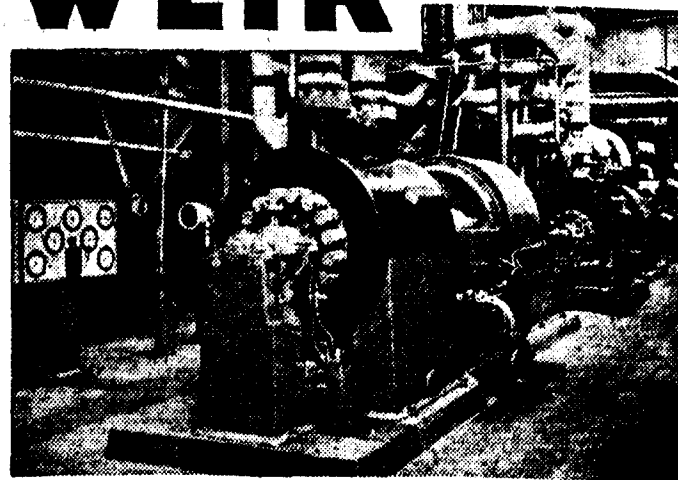
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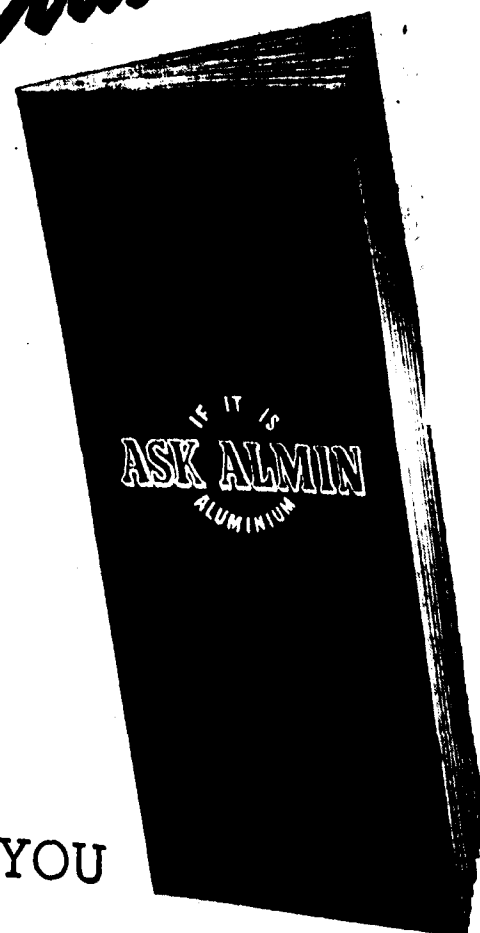
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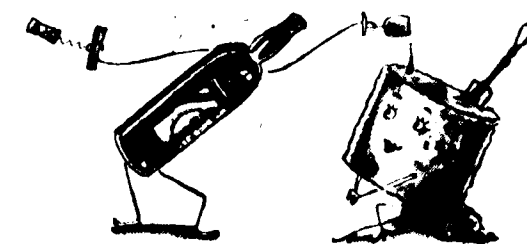
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This gives WOMAN a total readership of over 6,000,000 women every week—by far the greatest direct approach to women available to advertisers in British journalism.

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★ *At a fire-fighting demonstration in Glasgow*

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Pye Industrial television was recently used as a method of control in a full scale fire-fighting exercise of the Glasgow Fire Brigade. TV Cameras at the scene of the fire relayed pictures to the Central Headquarters, giving immediate and accurate visual information of the size, condition and progress of the fire.

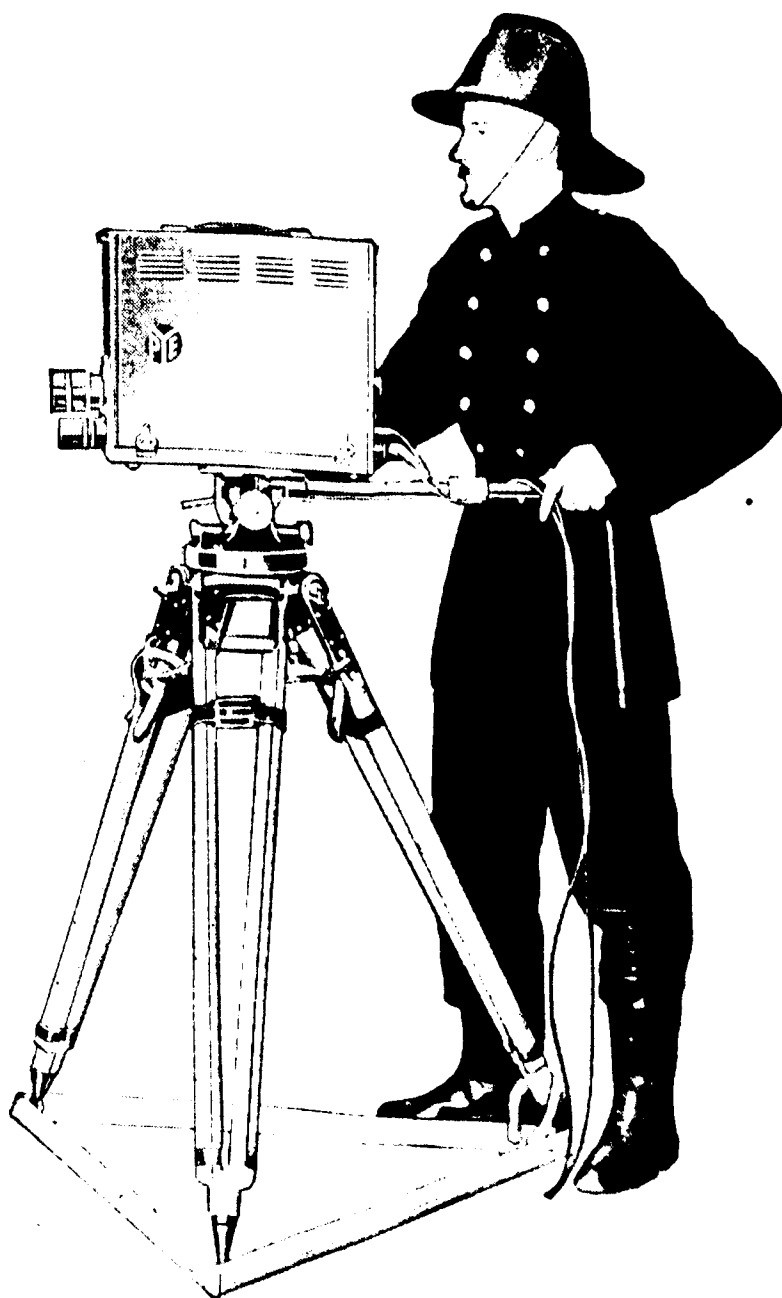
Observers were enthusiastic regarding the value of television as a new aid to fire fighting. It is not envisaged that local operations would be directly controlled from headquarters, but television removes the difficulties of assessing from verbal reports the size and menace of a particular fire.

This application of television as an aid to Fire-Fighting is only one of the many uses for industrial television. For further information will you please write to Pye Limited, Industrial Television Division, Cambridge.

In basic form the equipment comprises a lightweight television camera and a viewing monitor; these are linked together by a single co-axial cable which may be any convenient length from a few feet to a thousand feet, depending upon the user's requirements. The camera, weighing only 31 lbs. and measuring 16 x 6 x 14 inches approximately, carries three lenses giving a wide choice of viewing angles and features a newly developed low-cost camera "pick-up" tube possessing adequate sensitivity to normal industrial lighting. In practical terms, a clearly defined picture will be obtained with a scene brightness as low as 50 foot-lamberts—corresponding to the light reflected from an "average" subject placed 4 feet from a 200 watt lamp in a suitable reflector.

The viewing monitor displays a well-defined picture on a 14 inch diagonal rectangular cathode-ray tube with a built-in "black screen" to permit clear viewing with normal room lighting. A normal domestic television receiver may, without modification, be employed as an additional monitor if required.

Alternative versions of the camera and monitor provide scanning standards of either 405 lines or 525/625 lines and the equipment will operate on any normal AC supply voltage, with a total power consumption of only 350 Watts.



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The Economist

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FEBRUARY 27, 1954

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New Look in Defence

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Berlin to Geneva

IT is a strange turn of the wheel that is to bring the representatives of Mao Tse-tung, Bao Dai, Syngman Rhee and Kim ie Sang across the seas to confer with the four foreign ministers—in Geneva of all places. They will not come until late in April; but the fact that they are going to meet is already casting a subtle influence over Europe, which has been so deeply affected by the far-away wars in Korea and Indo-China. People are noticing that this rendezvous in Geneva six weeks hence is the result of concessions made during the Berlin conference by both Mr Dulles and Mr Molotov, which led to an almost unprecedented compromise between them. And it has always been in compromises between these two stubborn men that lay the main hope of useful and realistic Great Power agreement. Hopes are bound to rise, whatever is felt about the deadlock that was Berlin, for some advance towards a settlement in Korea and some easing of the French burden in Indo-China. How far are they to be encouraged? What real interest have the men of Moscow and Peking in making and trading concessions?

The question is not easily answered for the bargaining counters are less familiar than in the negotiations over Germany and Austria, and there have been new developments. First, Mr Molotov retreated from his demand for an exclusively Five-Power conference (including China) on all international issues to a position where he accepted a conference to include other states, and dealing only with an agenda covering Korea and Indo-China. Previously Mr Dulles had taken American policy some way to meet him by agreeing to consider in restricted session the idea of a conference about Asia, and later by consenting to sit at a table with the representatives of Peking, in order to discuss Korea and Indo-China. Thereby he modified American insistence on observing the letter of the Korean armistice agreement and turned his back on the wreck of Panmunjom. Anyone who thinks this was an easy thing to do should read the sharp criticism that assails the Secretary of State in his own country, where the diehards accuse him of accotding "a degree of recognition to Communist China that has heretofore been denied by this government."

The critics do not, perhaps, realise the extent to which Mr Molotov, too, has changed his ground. They may not have noticed *Pravda's* recent statement:

The most important demand in world politics today is the demand to reestablish the lawful rights of the Chinese People's Republic in the United Nations.

In spite of this, the Soviet Foreign Minister dropped his demand for a conference which would recognise Communist China as a Great Power—the first item on his Berlin agenda—and agreed to its attendance in Geneva at what would not be a Great Power conference. The concession was at China's expense and not the Soviet Union's; but Peking's silence about it is a sure sign of disappointment and reluctant agreement. To be recognised as one of the Big Five, as their only Asian

member, as superior to free India and Japan, dealing as an equal to the United States and to the Soviet Union, with the world's affairs—all this is clearly the first objective of Chinese policy. Such dignity was first accorded to Chiang Kai-shek's government when the United Nations was founded, and China was made one of the five permanent members of the Security Council. But the seat is still occupied by the representative of the exiled Chiang, and to oust him is as important for Mao Tse-tung as it was in the past for a Hanoverian King of England to frustrate the Jacobite pretenders. Lately, moreover, the Chinese have made it clear that they, like Mr Molotov, would like to arrange between the Foreign Ministers a five-power peace pact outside the United Nations that would deal with all international issues—a sort of concert of continents.

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How great is the setback for China and how important the concession made by Mr Molotov may be judged from the agreement reached in Berlin. It says that the four Foreign Ministers

propose that a conference of the United States, France, the United Kingdom, the Union of Socialist Soviet Republics, the Chinese People's Republic, the Republic of Korea [South Korea], the People's Democratic Republic of Korea [North Korea], and other countries the armed forces of which participated in the hostilities in Korea, and which desire to attend, shall meet in Geneva on April 26th for the purpose of reaching a peaceful settlement of the Korean question.

The Americans gain thereby three important points: (i) Asian neutrals are excluded against Chinese wishes; (ii) nothing in the Asian complex—for example, the future of Formosa—will be discussed except Korea and Indo-China; (iii) American recognition of Peking is brought formally no nearer, for the text of the agreement includes a statement that the conference will not involve diplomatic recognition where this has not already been given. Not only has patient negotiation from strength paid the West; it has made possible a shift in the positions of both sides. This is not appeasement but diplomacy as it should be conducted.

Why was Mr Molotov, otherwise so uncompromising in Berlin, ready to agree to a Far Eastern conference on terms so disappointing to his ally? He was, of course, giving away no vital interest of his own country in order to secure this measure of *détente* in his relations with the West. But it seems probable that he had more positive reasons. The Korean situation remains unsatisfactory from the Soviet point of view so long as strong American forces remain on the mainland of Asia in South Korea. There they—or some of them—will obviously remain so long as there is only an armistice and not a peace settlement. To get them out is a common interest of Moscow and Peking, for they are dangerously near to Vladivostok as well as to Mukden; and this may be China's main reason for accepting the

Geneva meeting. Mr Molotov cannot get American forces out of Europe save at a price that he is unwilling to pay; but he has some chance of getting them off the Asian mainland without great cost in power or prestige. Some kind of settlement may, therefore, be intended, short of a "united and independent Korea."

Even more important for Mr Molotov must have been the wish to involve France in negotiations over a settlement in Indo-China and thus indirectly, but most effectively, to influence French policy in Europe. The United States Government has always been anxious that any Asian conference should cover Indo-China, because it feared that a settlement in Korea alone would leave China free to turn its energies southward.

The French, too, wanted a conference on Indo-China; having failed to gain a military victory against a Vietnamese Communist army supplied from China, they see no way to end fighting save by negotiation with the major Communist powers, which can at will increase or reduce support for Ho Chi-minh. This is the possibility that interests the Russians, who have otherwise no stake in Indo-China. By playing on French hopes and fears there it may be possible to keep M. Laniel's government stalling on the rearmament of Germany and the creation of the EDC. By giving way a little on China Mr Molotov may be able to undo the effect in France of his giving away nothing on Germany and Austria.

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It is a shrewd calculation and one that had been foreseen. It is almost as embarrassing to the Americans—for reasons described in an article on page 610 by our Washington Correspondent—as it is to the French. M. Bidault, it is true, has declared that he will not allow vague hopes of what might happen in Geneva to hold up progress with France's European policy. But the French Assembly may think differently; it may argue that France cannot hold its own with Germany in the European Defence Community unless the drain on its strength is checked in Indo-China. If so the Americans and the British may find themselves asked to give yet a little more in guarantees and assurances to France, in order to prevent success at Geneva becoming the condition of success with the EDC.

The western ministers will need to prepare very carefully for this April meeting. It may lead to yet another meeting, and then another, until Europe and Asia are involved in a chain of interlinked conferences, slowly producing piecemeal and minute improvements in the international situation. There is a lot to be said for piecemeal negotiation and improvement; it is the method that Mr Eden has consistently advocated against Mr Molotov's broad sweeps of talk. But it must not be allowed to interfere with the organisation of Western Europe and the reconciliation of France and Germany. These are things good in themselves, not to be bargained about.

How to Conserve Conservatism

IT is never wise to insist too shrilly that the Conservatives must have a coherent policy. They have been the largest single party in the House of Commons for more than forty of the first fifty-three years of this century, and have got along very nicely without one. They are getting along very nicely still. But it is not altogether fanciful to find some parallel between the Conservatives' present popularity and the popularity of the Liberals just before the first world war, when success at the polls was masking the fact that the old order in which Liberalism had flourished was changing—and bringing with it the seeds of doubt and unrest among the faithful, which so quickly became the seeds of decay. Of course, it will never be possible in a democracy for one out of two parties to fade right away, as one out of three can and has. But the Conservatives should ponder deeply two long-term problems which the Liberals forgot: namely the reasoned case that they propose to put up to the electorate if they are to do as well in the next half century as they have done in the last, and the difficulty of quelling unrest among their own bewildered backbenchers.

Their electoral problem may not seem a pressing one, because the Government has done very well at recent by-elections. In these circumstances the Tories may see little incentive to make their propaganda rise above the groundnut and red meat level. Their strenuously prepared party political programme on television next month (like that of the Labour Party) is likely to conform to what might be called Woolton's Law: that the amount of thought given to a policy is in inverse ratio to the amount of time and money spent on disseminating it.

The Conservatives should realise, however, that the ultimate dangers of the rule of Woolton's law are greater for them than for the Opposition. However Labour's internal argument may end, indeed even if it does not end, Labour will offer some sort of programme in each general election in the foreseeable future, with much new legislation proposed and many traditional left wing war cries. The Conservatives cannot always rely on poking fun at those war cries, and asking for another doctor's mandate—even though, at the next general election, provided nothing goes wrong in the meantime, they will be able to claim that during the present mandate they have cured the patient of the 'flu if not of his general debility. But the time will come when the electors will ask, "What next?" and the danger is that Conservatives will then be deeply offended.

The electors' question can be answered in two ways. First, the Conservatives might try to scramble together a ragbag of proposals with which to match the Labour programme in time for each new contest; if they do this, however, they may be forced eventually to promise

legislation to make such things as co-partnership, joint consultation and contracts of service compulsory, in bland disregard of the fact that it is the essence of Conservatism that such practices should be adopted voluntarily. Their back-benchers will not like that. Alternatively, they must state frankly that their theory of government does not call for any great programme of state action. This is almost certainly their right course, provided they can adopt it without looking weedy. For too long the Conservatives have allowed Labour to make the running and to indoctrinate the electors to expect all parties to offer lavish plans for Government action. If the Conservatives now want to teach that legislation is only a means to an end, and not always the best means, then they have no time to waste.

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It so happens that the next few months should provide a golden opportunity for such a restatement of the Conservative party's basic principles. For most of last year, because of the illnesses of Sir Winston Churchill and Mr Eden and because of Mr Butler's immersion in the problems of day to day leadership, the three men with the stature to lift the party's eyes further than the length of a three line whip were wholly prevented from doing so. Now the prospects are better. Mr Eden, the heir-apparent to the leadership, who can do this sort of thing rather well, has a breather between conferences; and the fact of those conferences may convince Sir Winston that the world situation will get on all right for a week or two without his undivided attention. But if Conservatives are to adopt this unusual habit of philosophising, a habit they have hitherto left to the Labour Party, they will have to decide on what their philosophy should be based.

The answer ought to be obvious. The Conservatives' broad philosophy must be based on the precedents set during the leisured days of Opposition, after the thumping defeat of 1945 had forced the party to think. At that time Mr Butler with his charters, and later the "One Nation" group with their detailed survey of the social services, showed that Tories could handle the mystique of economic planning and the welfare state just as well as the Wykehamists. Admittedly, the Industrial Charter may look a little fusty today; but after a little dilution from the ideas of Mr Eden, with his "property-owning democracy," and of Sir Winston Churchill, with his ladder up which all can climb and his net to catch those who fall off, it can be made to look like something that can be called a recognisably Conservative economic pattern. To this there can be brought in aid the useful and general beliefs that the Conservatives are better at reacting against economic crises than Labour (for it is difficult for Labour politicians to proclaim that they are abler reactionaries than

their opponents); and that they are more willing to set the people free from unpopular controls if circumstances permit.

This is the policy that the Conservative leaders should try to sell to the country, if Conservatism is to be conserved in the long run. But the problem remains: can they also sell it to the amorphous collection of no-longer-hard-faced but still-rather-soft-thinking men on the benches behind them? There are two main dangers. The first is that some Tory back benchers are now so fearful that they might be launched on a vague Gadarene slide to something akin to Socialism that they are fighting every real or imagined break with traditional Tory practice, however out-dated. The much criticised, and now probably defunct, Industrial Organisation and Development Bill is a case in point. In calmer moments many back benchers would probably agree that this measure contained the germ of a useful idea. But when they were presented without warning with a Bill to allow compulsory levies all over industry they shied violently. A much more important example, of course, has been the revolt over Suez; and this is the sort of revolt that is very likely to recur. In the field of foreign policy it is still regarded as respectable for Conservatives to be

Our Duty to Interfere

It is anything but pleasant to be for ever travelling over old ground, answering old objections, and exposing old misrepresentations; but when speakers persist in reiterating exploded fallacies, writers are perforce compelled to reiterate previous refutations. . . . Both Lord Grey and Mr Cobden are of opinion that we have been quite wrong in interfering in the Turkish quarrel at all. Both speakers admit that the conduct of Russia has been unjust, aggressive and indefensible; yet both agree that we should not have interfered to thwart that conduct. Russia has been very wicked, they say; but nevertheless we ought to have allowed Russia to have her way. A great violation of the law of nations has been ventured on; but what concern was that of ours? A great wrong has been done; but our duty was to stand by and see it done. . . . But has Mr Cobden read history or travels to so little purpose as not to know that a claim to "protection" is one of the regular steps in the progress of Russian ambition towards the absorption of the States whose territories she desires to append to her already colossal Empire? And has he in his heart the smallest doubt that the demands of Prince Menschikoff, out of which the quarrel has arisen, were, however they may have been worded, but one stride further towards the possession of Constantinople? Did not the seizure of the Principalities show them to be so? . . . Finally, have not Russian avowed despatches, Russian intercepted despatches, Russian acts, made all this as clear as daylight? We say, therefore, without fear of confutation, that the real question now at issue is . . . whether Russia shall be allowed to appropriate European Turkey and establish her throne at Constantinople—whether she shall be allowed to thwart and repress the internal improvements and for ever to disturb the internal tranquillity of those countries whose greatest misfortune is their contiguity to her—whether she shall be allowed to obstruct and destroy the navigation of the Danube, and to make a *mare clausum* of the Black Sea?

The Economist

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reactionary, since foreigners who are reacted against do not have votes.

The second danger lies in the broad field of policy where Conservative back benchers have no coherent emotions to lead them, but where Conservative Ministers are equally unsure about where they want to go. The Government has hitherto settled these problems by resort to a Ministerial mediator. When the demand for a dash to convertibility welled up out of Conservative attachment to the ideal of setting the people free, and promptly clashed with Conservative traditions of both desirable caution and undesirable protectionism, the task of working out a compromise "collective approach" to convertibility was delegated to Mr Eden. When the desire for a free market in agricultural produce clashed with the traditional Conservative policy of cossetting the farmer, the task of finding a compromise was delegated to Mr Butler. When the demand for competitive television clashed with a strange but very Conservative belief that the standard of reasoning power among those who usually watch television programmes might be grievously impaired thereby, the task of finding a compromise became such a popular one that several Ministers joined in it.

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It is not surprising that the proposals emerging from all these mediations have been unworkable; Conservative politics in such matters have degenerated into the art of devising the impossible. Inevitably, this has added to the distrust and disillusion among the back benchers; and it is only a temporary comfort to the party to reflect that almost all the issues that are referred to compromise solutions in this way are necessarily such complicated issues that the general public does not understand what is happening.

In essence, therefore, Conservatism, despite its successes of the last two and a half years, is in a state of unstable equilibrium. It is this state that is so reminiscent of the Liberal Party just before its decay. Apart from the all-important point that a flabby second party can never be in such danger as a flabby third, there are three factors that should prevent, or at least slow down, a similar decay of the Conservative Party, even if no positive lead is given from the front bench. The first is that the Tories' present party organisation is stronger than the Liberal organisation ever was. The second factor is that people attracted into the Conservative Party are, almost by definition, the sort that do not regard rebellion as respectable (even if grumbling is). The third is that the party can be bound together by the common desire to oppose the Opposition, which happens at the moment to be the natural thing for most sensible men to do. But this comes perilously close to saying that since Socialism is losing the force of its former appeal to the heart, Conservatism can get by through making an appeal to the liver. This is a very dangerous principle for any major party to adopt.

Arab Wealth from Oil

THREE years ago, a Middle Eastern oil company first set the fashion for sharing its profits equally with the local government, on a model copied from Venezuela. The Middle Eastern prototype was the "fifty-fifty" arrangement reached by the Arabian American Oil Company (Aramco) with Saudi Arabia at the turn of the year 1950-51. It is also three years since Dr Mossadegh deprived the south Iranian oil industry of access to a like arrangement. In the years between, the other oil companies and governments of the region—in Iraq, Kuwait, Bahrain and Qatar—have one by one followed the fifty-fifty example; they have also filled the gap created by the collapse of the Iranian industry.

At no cost, effort or risk to themselves, therefore, the governments of these fortunate territories have suddenly found themselves richer by more cash per ton and more tons per day; the table shows how they have benefited. Three years is a short time in which to judge the results of such a stroke of fortune; but there are some interesting differences in local notions of how to spend the money, and the shape of things to come is beginning to be discernible.

This rain of wealth has fallen upon a dilapidated landscape. For several centuries Arabia and Mesopotamia, once centres of inspiration and the site of civilisations, have been allowed to slide into decay. Ruined cities and crumbling cisterns, forests stunted by goats and fields swept by flood, have been accepted as the will of Allah; these were lands poor in the natural resources that count in the modern world and incapable of producing any margin for improvement from their primitive agriculture. And then, overwhelmingly, the world's most desirable raw material cropped forth, providing wealth almost beyond belief. Already, it is changing the landscape. Will it also change the outlook of peoples so long accustomed to a life of hazard and poverty, and so sunk in habits of accepting sudden twists of fortune, good or bad, and of snatching quickly at advantages before these disappear?

Whether revenues from oil will remain steady is of

less concern to Middle East minds than it would be in the West. Some are content simply to spend while the money lasts. Most of them find it easier to think in terms of capital costs than of running costs; the problem whether a particular plant could continue to be productive if the revenue from oil were to dwindle occurs to only a few. Why should it be of concern to people who have never been able to be regularly productive? The policies preached by economists with experience of one-crop countries ring hollow in deserts; when there is little or nothing to replace oil as a source of wealth, who wants to listen to sermons about the dangers of letting consumption rise far above local capacity to produce, and about tucking aside funds for capital development to meet lean years?

One of these fortunate lands—Iraq—is differently placed from all the others in this respect; it alone among the "fifty-fifty" countries is endowed with immense alternative resources; Iran would be similarly well off if its oil production climbed back to the 1950 scale. Iraq is blessed with five harnessable rivers, lands capable of heavy cropping if treated well instead of carelessly, and rich prospects of producing industrial as well as food crops. It can afford to develop an attitude to its wealth more prosaic but much

more practical than that of less promising lands. The Bahrain Islands, which are also blessed with water, are certainly the next best placed for sedate spending; a steady tradition of security under British auspices has won them a comfortable role as an entrepôt and an airport. Kuwait (which has no water), Saudi Arabia and—above all—the desolate peninsula of Qatar have less choice of alternative resources.

Iraq differs in one other important respect from its fellow-beneficiaries; unlike theirs, its pattern of government is democratic, and it must pass all revenue and expenditure through an exchequer that is subject to the authority of parliament. The others belong to absolute rulers who regard their fiefs much as a feudal landowner thought of his family and tenantry. Their revenue, or the bulk of it, goes to the paterfamilias

CRUDE OIL PRODUCTION
(million metric tons)

	Bahrain	Iran	Iraq	Kuwait	Qatar	Saudi Arabia
1938	1.1	10.3	4.2	...	...	0.067
1940	0.9	8.8	3.2	...	...	0.67
1950	1.5	32.2	6.4	17.2	1.6	26.1
1951	1.5	16.8	8.3	28.3	2.3	37.4
1952	1.5	1.3	18.8	37.6	3.2	40.6
1953	1.5	1.2	27.6	43.0	4.0	40.5

DIRECT PAYMENTS BY OIL COMPANIES TO GOVERNMENTS
(\$ million)

	Bahrain	Iran	Iraq	Kuwait	Qatar	Saudi Arabia
1940	1.0	16.0	8.1	...	...	1.5
1950	3.3	44.9*	14.8	12.4	1.0	112.0
1951	3.8	23.3	38.5	30.0	3.8	158.0
1952	6.3	Nil	110.0	139.0	9.0	160.0

* Under the supplemental agreement then offered Iran was entitled to receive nearly twice this figure.

who alone is answerable for the amounts he spends on the family and on the tenants and estate; for instance, it is still thought perfectly natural, as it was in medieval England, that a member of the family should appropriate some hitherto unwanted tract of desert in order to sell it to the state for development.

The question posed at the start of this article was whether and how soon ingrained habits might change to match a changing landscape. Firm conclusions are difficult to draw from so patchy a picture. Two of the most disquieting features are the expensive tastes that are being inculcated without cost to the inhabitants in either risk or effort, and, in the feudal territories, the social upheaval that is inevitable when children now being educated along twentieth-century lines—taught by Egyptians or Palestinians or at the American Univer-

sity of Beirut—begin to question the customs of elders who are by tradition their betters. Plainly, Iraq is the place best endowed for solving these problems of tomorrow, and it is probably, therefore, chiefly to Iraq that optimists must look for first signs of a departure from the habits of centuries. Today, technical improvements are more often sought because they will put money into some private pocket than because they will bring about a deeper change, such as generation of a creative spirit or the dawn of a spiritual or cultural renaissance. These former attributes of Islam have, as the Agha Khan recently declared, been dormant for so long that they threaten to disappear. One cause of their collapse was lack of money. Now that this missing ingredient has reappeared, who is going to show that they are capable of revival?

Nothing short of a place-by-place survey can convey the variety of five separate Arab responses to the phenomenon of wealth. This is given below, with the comment that, if the measuring stick is capacity to spend upon increasing productivity, Iraq, with its promise of developments that do not depend on oil, must take first place.

Iraq. Oil revenue represents about one-third of the national income. At first, it was wholly earmarked for capital development, and paid to a Development Board which has been well managed financially. The Board's proportion has since been reduced to 70 per cent, the balance going to current ministerial budgets in order that these may shoulder their share in improving the country. Ministerial expenditure on defence and social affairs has notably risen as a result.

The Development Board, which handles all major capital works, has budgeted to spend just over £150 million in the five years 1951-56; more than one-third is earmarked for flood-control and irrigation, the next biggest items being new industries and roads. The Board got off to a slow start because flood control is the prerequisite of nearly all development in southern Iraq. The Euphrates flood was under control in the winter of 1952-53; that of the Tigris will be controlled by 1955; contracts for three of the eight major dams that it will now pay to instal have been awarded; so are contracts for one or two of the first major industries, including a national oil refinery. The Board's great failing is poor publicity; its major achievements, though praiseworthy, are remote and unseen, and the keynote of Iraqi sentiment towards it is impatience.

Kuwait. No one can chide the Kuwaitis for moving too slowly. They are a thrusting people who, a century and a half ago, moved away from unwanted neighbours—built a town on a waterless bay and thereafter made a scanty living by seafaring and boat building. This hard life endowed them with gusto; from the start, therefore, they determined to spend their oil revenue (which now constitutes over four-fifths of their national income) on building a welfare state.

Naturally, a comfortable income goes to the ruling family, but in 1953, out of a round £60 million "earned" from oil, about two-thirds was spent on new state

developments and their maintenance, and most of the balance was entrusted to an investment board and tucked away abroad. Within three years Kuwait has produced the most up-to-date hospital in the area, free to all (including non-Kuwaitis), and free schools equipped with apparatus that would be the envy of most British towns of equal size.

The direction of spending has mostly been good, but its volume is wide open to criticism, for the pace has cost millions of pounds that may later be regretted. Departments, vying with one another in energy and grandeur, have run up costs out of all relation to estimates; undue haste has resulted in several million pounds' worth of white elephants that dot the landscape, and expensive imported equipment has been damaged beyond repair because proper port facilities were lacking. If the whole of the £90 million development programme is completed, it will burden the privy purse and Treasury with running costs which, at a conservative guess, will be £25 million per annum.

The only investment contemplated that will be permanently productive independently of oil is that for a sweet water canal from the Shatt el Arab which could turn a place without a blade of green into an agricultural community.

Bahrain. The Bahrain Islands differ from Kuwait and Qatar in that they have enjoyed an income from oil since 1933 and their increase of wealth has been, by comparison, both small and slow. Bahrain, for generations a centre of Persian Gulf trade and of its pearl market, had a window on the outside world; for instance, it started schools on modern, as opposed to Koranic, lines as early as 1919. A British adviser, the friend and contemporary of a prudent sheikh, has worked shoulder to shoulder with him for nearly thirty years, and no violent scenic revolution has taken place; Bahrain's latest annual report remarks that "as usual, the increase (of expendi-

ture) is mainly in the education and public health budgets," and the first two words tell their own story.

Oil revenue now amounts to three-fourths of the national income. One-third of it goes to the Sheikhly family and two-thirds to the state.

Qatar. The ambition of this unpromising peninsula is to blossom into a likeness of Kuwait. Its preoccupations, for lack of productive enterprises on which to spend, include the question whether or not to spend £3 million upon dredging a channel through the shallows opposite its capital to suit its *amour propre* and reduce its dependence upon the entrepôt of Bahrain. Its ruling family retains an income rather greater than the revenue that it has so far been able to spend upon developments; further plans are to spend £31 million on development between mid-1953 and the end of 1956.

Saudi Arabia. Assessment is difficult when so large a country publishes no figures for actual revenue and expenditure and issues budget figures only intermittently. Despite a rise in revenue from about \$7 million in 1938 to about \$197 million in the fiscal year ending March 16, 1953, the Saudi government is overdrawn. It is slightly in debt to the Export Import Bank, also to the Netherlands Trading Society that till lately acted as its banker, and it owes Aramco for advances made to build a railway that cost over \$50 million—a debt that it will probably not finally pay off until 1960.

By comparison with Kuwait or Iraq its expenditure on public benefits such as health and education and social services is sadly low (5 per cent only of the total budget was earmarked for these in 1952-53). Saudi Arabia must needs spend on defence and on the internal security which it maintains by means of subsidies to its tribes. But if millions remain unaccounted for, there are 325 Saudi princes of the realm who expect handsome allowances; money poured down the drain at least needs no upkeep.

The Consumer in Freedom

IT is a strange reflection on the state of economic knowledge that so much depends on the demands of the consumer and yet so little has been recorded about them. The official figures of personal spending, which appear in the annual national income blue books, date back only to 1938. They reflect, therefore, demands that have been shackled by rationing and controls and distorted by subsidies. But now, with rationing practically over, and even food prices again mostly reflecting world costs instead of reflecting what the gentlemen in Whitehall think fair prices should be, the free consumer is emerging from his retirement. Will he be a completely new kind of consumer or will he behave much as his predecessor of prewar days? With this question in mind, it is timely that there should have been published this week the first findings from an extensive research into consumer spending between the wars.*

This research, which is part of a project to build up a consistent series of national income estimates, has been sponsored jointly by the National Institute of Economic and Social Research and the Cambridge University Department of Applied Economics. In this, the first of three volumes on consumer expenditure (a later volume will take the figures back to 1900), Mr Richard Stone and his collaborators analyse the British public's spending on food, drink and tobacco, fuel and light and housing. Those who know the waywardness of such statistics today, let alone thirty years ago, will appreciate the patient and exacting way in which these pieces of the jig-saw puzzle have been joined together. And, formidable and sometimes rough-hewn though the underlying calculations must have been, the results are portrayed in a style which would do justice to any book on fine art.

The outline picture of total spending, which can now be drawn up for the last thirty years, holds several surprises. Table I shows that in 1920 personal expenditure averaged £115 for every man, woman and child in the country; in 1938 the figure was down to £94. But since prices had dropped by as much as one-third during these years, the actual quantity of goods and services obtained from the lower outlay had risen by more than one-fifth. Indeed, whereas consumption per head today (even after allowing for the most recent increases) is only some 4 or 5 per cent higher than it was in 1938, in the preceding fifteen years it rose by as much as 22 per cent—an average increase of 1.3 per cent each year. And this upward climb in consumption was almost unbroken, the general strike and the slump causing barely perceptible retardations in its growth. It took a war to bring any real check.

These findings seem to make nonsense of the

* The Measurement of Consumers' Expenditure and Behaviour in the United Kingdom, 1920-1938. Volume I. By Richard Stone. Assisted by D. A. Rowe and W. J. Corlett, Renée Hurstfield, Muriel Potter. Cambridge University Press. £5 5s.

widespread belief that only in recent years have living standards been improving so fast. It is easy to forget the benefits that came from the fall in the prices of British imports between the wars. This comparison between the rapid increase in consumption in the troubled twenties and hungry thirties and the small increase in the forties and early fifties does, however, ignore two important factors. First, an average figure of consumption tells nothing of the way in which it is distributed. Today there are far fewer people living at either the high or low ends of the scale than there were between the wars. Secondly, the welfare state makes a much larger contribution to the standard of living today; Government spending on health and education, for instance, does not enter into these personal estimates.

I—TOTAL EXPENDITURE AND AVERAGE PRICES

	Total expenditure at current prices	Expenditure per head		Average price index
		At current prices	At 1938 prices	
	£ million	£	£	1938 = 100
1920	5,051	115.5	77.1	150
1925	3,938	87.4	79.1	110
1929	4,052	88.7	83.9	106
1932	3,736	80.6	84.3	96
1935	3,989	85.1	90.1	94
1938	4,444	93.6	93.6	100
1943	5,318	121.8	82.7	147
1946	6,907	147.5	92.4	160
1952	10,407	208.8	95.2	219

Expenditure on food (which does include the full values of welfare foods) can now be traced back for thirty years, both in money terms and after allowing for changes in prices. Food consumption has kept more or less in line with consumption as a whole but it has increased rather more rapidly in the years following each of the wars. Over the whole span since 1920, food consumption per head has risen by about a third. But because food prices fell more than most between the wars, food absorbed only 30 per cent of the average family budget in 1938, compared with 35 per cent in 1920. Today it takes 32 per cent again.

The details of food bought between the wars tell the story of a nation getting more variety into its diet yet at the same time growing more lazy in its cooking. Table II shows that the consumption of bread changed very little; but its fancy rivals—biscuits and cakes—went ahead. Much less margarine but more butter went into the larder in the 1930s than in the 1920s. The consumer in 1938 ate much more cream than he did in 1920, and much more sugar and confectionery; he used more pickles and sauces and discovered that he liked soft drinks much more and hard drinks much less. And

he made life easier with the tin-opener—there was a striking increase in the consumption of canned vegetables and fruit.

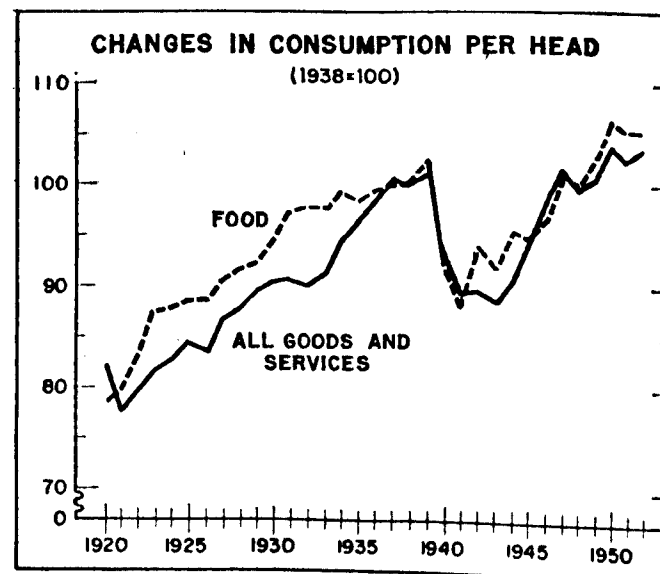
While most other prices fell the average value of rents went up between the wars by about one-quarter; in part, however, this must have been a reflection of the fact that the standards of accommodation were improving rapidly. In consequence, while rent absorbed rather less than 6 per cent of total spending in 1920 it absorbed

II—CONSUMPTION AND PRICES OF FOOD
(1935-38 compared with 1920-23: percentage changes)

	Con- sump- tion per head	Price		Con- sump- tion per head	Price
Bread	+ 3	- 22	Cheese	+ 10	- 50
Cakes & biscuits ..	+ 76	- 43	Vegetables	+ 14	- 27
Meat	+ 9	- 33	Fruit	+ 34	- 39
Eggs	+ 122	- 52	Sugar, chocolate & confectionery ..	+ 46	- 62
Fish	- 2	- 24	Tea	+ 7	- 18
Milk	+ 8	- 16	Coffee	+ 4	- 16
Butter	+ 109	- 47			
Margarine	- 49	- 36	All Food	+ 21	- 35

11 per cent of it in 1938. Since then, rent restriction and subsidies have brought the share down to 7 per cent, while expenditure on keeping the house heated and lit makes about the same proportionate claim on the purse as it did thirty years ago.

A striking exception to the general rise in consumption between the wars was drink. Beer consumption declined sharply in the early 1920s and again during the depression years, but recovered somewhat in the late 1930s. Spirits declined in popularity almost continuously; less than half the amount was drunk in 1938 as in 1920. These declines may have been partly aided by the fact that drink prices fell much less than most other prices. But smoking, which also became relatively more costly, makes quite another story. While the pipe became less popular, cigarette-smoking went up by leaps and bounds. After allowing for the influences of changes in incomes and prices, Mr Stone calculates that the demand for tobacco increased between the wars at the



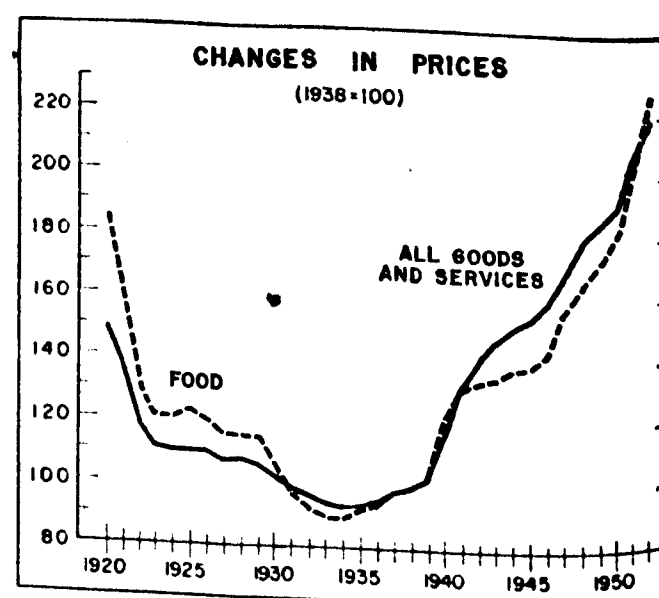
average rate of about 3 per cent each year. There was some rise in consumption per smoker, but the increase was mainly due to the spreading of the habit among women; Mr Stone estimates that the numbers of women smoking increased from 2.7 million to 6.5 million between 1928 and 1938.

It is such changes in habits and tastes, associated perhaps with social and educational movements, that are the stumbling block in the prediction of demand. But in the long run, the real usefulness of these consumer statistics must lie in the realm of prediction, in the hope that it will be possible to make a sensible forecast of how consumers will react to changes in economic conditions. Some encouraging steps have been taken by Mr Stone when he analyses, as a skilled econometrician, the effects of changes in income and prices on demand. Briefly, he believes that—in the short run at least—consumers tend to buy a fairly stable amount of food whatever the changes in prices and incomes, although relative price changes may cause them to change from

III—CONSUMPTION AND PRICES OF DRINK AND TOBACCO
(1935-38 compared with 1920-23: percentage changes)

	Consumption per head	Price
Beer	- 21	- 11
Spirits	- 45	+ 1
Wine	+ 24	- 18
Cigarettes	+ 78	- 3
Pipe tobacco	- 34	+ 4

one sort of food to another. Demand for goods other than foodstuffs is likely to be much more variable; it can change rapidly as prices change and according to the amount of money that people have left over after meeting their food budget. He has no doubt that in many ways the free consumer of today will behave as the consumer of yesterday. But there are still important influences that have not yet yielded to the mathematicians' skill. The mysteries are likely, however, to be considerably lessened by the time this investigation is complete.



Notes of the Week

Labour's Brave Decision

THE issue of German rearmament has divided Labour so evenly that the party can scarcely claim a collective attitude; but the leadership has shown courage and good sense by deciding to go ahead with a split one. At Margate last year a resolution was passed that "there should be no German rearmament before further efforts have been made to secure the peaceful reunification of Germany." Both the Parliamentary party and the National Executive have now voted that these efforts have been made and have failed, and declared in favour of a German contribution to Western defence. In the Parliamentary party the official motion was passed only by 113 to 104, after a delaying motion by Mr Harold Wilson had been rejected by an even narrower margin of 111 to 109. It is possible that Mr Wilson might have won the day if Mr Attlee had not taken a tip from Lord Salisbury and rallied his backwoods peers. The voting was less close on the National Executive, where the official view was approved by 16 to 9; but here again the minority was more than just Left Wing.

The fear of German rearmament has brought together an oddly assorted collection of Labour groups—the lunatic left, the ordinary Bevanites, the bloc of Jewish MPs, ex-servicemen of both wars, some MPs who are unexpectably emotional on this subject without being emotional on anything else, and many of the party's old women of the male sex. Some of these strange bedfellows will soon part company, but in the meantime Labour seems curiously cheered at finding an argument which cuts clear of the all too familiar Bevanite wrangle. Mr Morrison struck the right party note in the debate in the House on Wednesday, when he prefaced his exposition of the official decision by an equally lengthy explanation of the doubts and fears of the minority.

Apart from the fact that the Shadow Cabinet counselled the right course—although even there a strong minority emerged—it is hearteningly significant that the party leaders forced their rank and file to make a decision at this time. Whether the initiative came from Mr Attlee himself, or more from Mr Morrison and Mr Gaitskell, remains obscure; but when procrastination could have avoided a split (the famous Attlee conditions underlying the Margate resolution have always been very elastic) the Right Wing leaders insisted on a show-down. In domestic matters the Labour leaders, and particularly Mr Attlee, can be infuriatingly timid, but on the big issues affecting foreign policy—conscription, Korea, Nato and Britain's own rearmament—they have invariably acted decisively and in defiance of the vocal minority on the left. Some hard things have been said in *The Economist* about Mr Morrison's

conduct of foreign affairs when in office; it would be wrong to miss this opportunity of acclaiming him with a loud "well done."

"Dangerous and Unrealistic"

OPINION abroad should not let itself be misled by the over-dramatised split in Labour ranks. Far more important is the fact that there is virtual bipartisanship on this cardinal issue of foreign policy, and that Mr Morrison saw and stated clearly the strategic as well as the political objections to any neutralisation of Germany. Indeed, it has never been clear how those who maintain that German rearmament cannot be kept within reasonable and agreed limits by the joint authority of the European Defence Community and Nato can also argue that its strength could be limited when all occupation forces had been withdrawn and all alliances forbidden. That argument postulates complete confidence and loyalty between Moscow on the one side and Washington, London and Paris on the other, with Germany just playing dummy. It is, as Mr Eden pointed out, a "dangerous and unrealistic" idea, not a policy but a projection of emotion.

The feelings of distrust and resentment aroused by the idea of rearming Germany can be understood, but they are dangerous for two reasons. First, because they poison the atmosphere of goodwill and trust that Dr Adenauer has built up with the help of European and British statesmen; secondly, because they offer the younger generation of Germans no political idea that can be opposed to the harkings back of the nationalist elements in the older generation.

German Socialists' Line

MR MORRISON and the majority of the Parliamentary Labour Party accepted the fact that the Berlin conference had met the party's demand that German reunification should be attempted before Germans were rearmed. Mr Molotov has himself to thank for this result. The stand he took in Berlin made it impossible for Socialists in Britain or Germany to claim convincingly that the alternative to German rearmament in the European Defence Community is reunion in freedom.

It is evident that both in Britain and Germany the crux of the matter is whether the opposition believes, with Mr Molotov, that talks on Germany should go on in order to hold up the EDC. In Federal Germany the Socialists are taking the same line as that of Mr Harold Wilson and his

followers, whose amendment (defeated by only 2 votes) stated that the rearmament of Western Germany could not be countenanced so long as the possibilities of relaxing tension by east-west negotiation were not exhausted. The German Socialists are still saying that the Western Foreign Ministers might have secured a promise of free elections from Mr Molotov if they had specifically abandoned the EDC. They are not satisfied with the fact that united Germany would not be bound to the EDC in advance; nor do they frankly admit that Mr Molotov would evidently not risk free elections in any circumstances. Their leader, Herr Ollenhauer, has again rejected a fresh attempt by Dr Adenauer to adopt a bi-partisan foreign policy. If the German Social Democrat leaders were not blind, they would be impressed by Mr Morrison's statesmanlike rapprochement with Mr Eden. It is still possible that the majority view of British Labour may affect the Germans at the meeting of European Socialists in Brussels this weekend. But, unfortunately, it seems likely that the Bevanites will encourage the Germans to maintain the illusion that further talks with the Russians will in some way bring about a miracle.

The Social Democrats are not alone in criticising the Western Ministers for not doing enough in Berlin. German nationalists of all shades are taking up a cynical, carping attitude as if both sides were to blame and somehow "Germany's true interests lie between East and West." It is depressing to note how Dr Adenauer's broadcast on the conference contrasted with most of the comment in the German press. His wholehearted approval of the Western bid for German freedom in Berlin and his unequivocal belief in the European Community are hard to match in any other German quarter.

Kenya's Bad Report

THE report of the parliamentary delegation which visited Kenya in January heavily underlines many of the more pessimistic things that have lately been said about the colony. It makes no attempt to gloss over unpleasant truths. Most notable of all, the three Conservative and three Labour MPs who made up the delegation are unanimous both in their assessment of the situation and their recommendations for ameliorating it. This unanimity should be a great help to Mr Lyttelton on his forthcoming visit to the colony, when he can hardly avoid important decisions.

The gist of the delegation's findings is that the situation in Kenya is worse now than when the emergency began nearly eighteen months ago. The Government has failed to rally the mass of the Kikuyu to the side of law and order; even—indeed, particularly—in the centre of Nairobi itself Mau Mau terrorism is getting an ever firmer grip on the fears of the population. For the first time there are grave

New Look in Defence

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risks of the disease infecting tribes other than the Kikuyu. The report bluntly accuses the police of brutality, corruption and lack of discipline; even when all allowance is made for the fact that the police have had to operate in terribly difficult circumstances with raw, untrained levies against an enemy of unspeakable brutality, this section makes ugly reading. The new Commissioner of Police, Colonel A. E. Young, will have to wield a ferocious new broom in and around his own office if his service is to command willing co-operation from the loyalists among the Africans. The six MPs also roundly condemn the demands for "summary justice" and the disrespect shown by some sections of the European population for the due processes of law.

The main policy conclusion of the report is one that both the British Government and the Kenya Government have hitherto resisted—that long-term political objectives cannot be dissociated from the day-to-day conduct of the emergency. The delegation felt that it would be a mistake to delay African, and Asian, political advancement any longer, if these communities are to play their full part in putting down Mau Mau. The more moderate settler leaders agree, even though they have a tendency to avoid making speeches that would annoy the diehards. It would be foolish to pretend that the closer association of African politicians in the ranks of Government would necessarily lead to a more efficient conduct of the emergency; in particular there is a tragic lack of African leaders capable or trustworthy enough to take executive responsibility—partly because so many of the best African leaders have been murdered. It may be that Mr Lyttelton will have to decide to devolve more power upon the military while moving circumspectly but steadily towards a broadening of the structure of civilian government. Whatever Mr Lyttelton's decision, he must recognise that one of the basic assumptions behind the British Government's attitude to date—that pleas for political reform serve only to obscure the fact that the first essential is a speedy end to the emergency—now stands discredited; those who have ignored the reformers' fiddling have not prevented the flames from spreading.

To the Guillotine!

NOT even the oratory of Mr Macmillan and Mr Bevan could prevent Monday's debate on the "guillotining" of the Rents Bill from being anything but perfunctory. Timetable motions are nowadays becoming necessary for most controversial Bills of any complexity, and the real question at issue is at what stage they should be introduced. Oddly, the answer seems to be that it is more democratic to introduce them early rather than late.

After Labour's frequent use of the "guillotine" when in office, Mr Macmillan was fully justified on Monday in accusing Mr Bevan of putting up a sham fight; but Mr Macmillan's own party, when in opposition, was always righteously fervent in opposing all curbs on discussion. The Government could fairly claim that the use of the "guillotine" has rarely been so clearly justified as in the present case. The Repairs and Rents Bill consists of 44 clauses and 5 schedules. The Standing Committee had taken 10 sittings (25 hours) to reach the middle of Clause 7.

when the Government's patience gave out. As the controversial rent clauses had not yet been reached, the Government had good grounds for fearing that at the rate of progress being set the Bill might not even reach the Statute Book this session.

But whether the Government's timetable now allows sufficient time for the rest of the Bill to be scrutinised is more debatable. Assuming that the committee does not change its sitting habits, there cannot be more than 30 hours at most for the rest of the committee stage; Mr Bevan had some grounds for his argument that this does not allow sufficient time for considering the complicated issues raised in the later clauses of the Bill. But the moral seems to be that the Government's best course would have been to introduce a timetable right from the start, as the Labour Government did over its Steel Bill. It is usually possible to tell in advance which Bills are likely to need a "guillotine." Delay in applying one merely means, as in the present case, that the first few clauses are discussed at inordinate length and the remainder tend to be skimmed.

M. Bidault's Next Move

M. BIDAULT has returned from Berlin with a greatly heightened prestige. His performance has been applauded not only by the French champions of EDC. Some of the Frenchmen sitting on the fence may well have come to the conclusion that a firm stand in the Western alliance pays dividends not only in praise and compliments but in actual tangible rewards. It is generally held in Paris that the calling of the limited Geneva conference (discussed in an article on page 587) marks a personal victory for M. Bidault and a concession not only from Mr Molotov but from Mr Dulles as well—an American concession to keep France on the European path.

Encouraged by these developments the government is apparently determined to pursue its European policy and finally bring about the debate on the ratification of EDC. Despite the internal quarrels about the shape to give to the treaty and the various suggested amendments, a small majority could probably be found to ratify it. Mr Molotov did little in Berlin to strengthen the ranks of the "anti-Europeans." On the other hand, France's reward has its seamy side. Many of those who applauded M. Bidault would like to postpone further decisions to see whether Geneva will prove more propitious than Berlin, and to add the solution of the Indo-Chinese problem to the other French pre-conditions for EDC.

The conviction that France must somehow get rid of the Indo-Chinese burden is certainly gaining support in the country and in the Assembly. Furthermore, it may still prove impossible to stage the EDC debate before the Geneva conference; the committee stage, Franco-German negotiations about the Saar and the Easter recess are likely to prevent it. Well aware of this, the government is, however, trying to keep the two issues separate. M. Bidault would not deny the direct link between the Indo-Chinese commitments and France's fear of a rearmament Germany, but he may well point to the lesson of his Berlin experience that firmness is the best method to obtain tangible results. He could also add that by explicitly linking the fate of EDC

with the success of the Geneva conference France would only encourage the Communist negotiators to delay or to offer impossible terms.

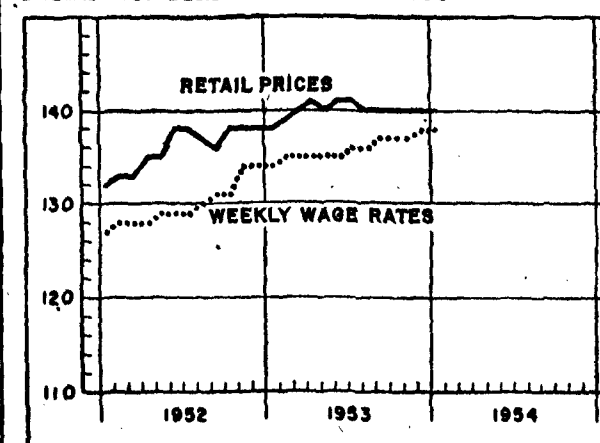
Eclipse of Neguib

As *The Economist* goes to press, news reaches London of the high words that passed only a few hours earlier inside the Council of Revolution in Egypt, and of the resultant resignation by President Neguib of all his posts. Colonel Gamal Abdul Nasser, chairman of the junta has taken over full executive powers. The fact that it was necessary to cancel the President's trips to the Sudan next week and Pakistan next month shows how sudden was the crisis. Colonel Nasser, a more authoritative figure than any other member of the officers' committee, has long been acknowledged by most members to have been the brain behind the movement since its earliest days of secret meeting in the desert. All are now busy reminding the world that Neguib joined them only at a later stage.

Coming so soon after the dissolution of the Moslem Brotherhood, this no less great upheaval is bound to split Cairo into even more factions than it already contains. The prospect is one of difficulty for any government. The likelihood is that whoever rules will have to increase the volume of anti-British and anti-western propaganda and policy if he is to keep a hold on public favour. The day not only of settlement with Britain, but of securing big foreign investments, would appear to be postponed.

Tories anxious to count blessings are bound to reason that, from Britain's point of view, an unsettled Egypt cannot be worse and might be better than a settled one bent on deadlock. They can add that unsettled conditions might prompt the Sudan, and even certain members of the Arab League, to lean away from the Egyptians and towards the West. But upsets inside Egypt are not so obviously advantageous if their price is the security of British soldiers and of a very large foreign community in Cairo and Alexandria. The backbenchers would be unwise to gloat.

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Passed to Mr Macmillan

ANOTHER step in the wearisome and seemingly endless chain of negotiations about the reconstruction of local government has been taken. Representatives of the county, urban district, rural district and parish councils have laid a united set of proposals before the Minister. It is something that these four local authority associations should have agreed among themselves on a policy for reform; but since that policy is for the most part both vague and inadequate the matter is not much forward.

The most definite point in the proposals is that the 19 county boroughs which have less than 75,000 population should lose their present status. This arrangement would reduce the number of major local authorities and strengthen the fabric of county government; but it has merit only if combined with an overhaul of the status and functions of the larger county districts. It is absurd that while some medium-sized towns (which happen to be county boroughs) should run all their own services, other towns and districts of equal size and strength should have negligible powers and be obliged to leave the management of all their main services to the counties. These frustrating anomalies—under which Harrow with 219,000 people has the same powers as Ambleside with 3,000—are undermining the interest and participation in local government of ordinary citizens. They will not be removed by the associations' proposal to strengthen the schemes for delegating powers from county to county districts. All such schemes fall foul of the fact that financial responsibility—and hence real control—remains with the county.

The fifth local authority association, the Association of Municipal Corporations, has so far held its hand. It certainly will not agree to the proposed abolition of the smaller county boroughs. Thus Mr Macmillan, who has said he will take no action unless the local authorities agree among themselves (which they never will), will be faced with another deadlock. The supine attitude of the present Government to this problem is only slightly less stultifying than the frivolous attitude of its predecessor. The Labour Government dismissed the Local Government Boundary Commission for the political crime of producing a coherent—and therefore contentious—plan of reform. Mr Macmillan's duty is to the public at large and not to the vested interests of particular local associations. Both the structure and finances of local government need a thorough overhaul—and by this Government, not the next one or the one after that.

Pledges for Uganda

UGANDA is no longer a political issue. On his recent visit to London, Sir Andrew Cohen, Governor of Uganda, may not have succeeded in convincing all Labour members of the rightness of the decision not to allow the Kabaka to return; but official Labour policy is evidently going to concentrate on the long-term plans for the progress of the whole protectorate and to ignore the Kabaka—at least for the time being.

Those plans were outlined by the Governor in his speech to the new legislative council at the beginning of this month, and underlined in the statement made by Mr Lyttelton on Tuesday. They are all based on the development of Uganda as a primarily African state, which means—in Mr Lyttelton's words—that "when self-government is achieved the government of the country will be mainly in the hands of Africans." That is the principal pledge given to allay Baganda fears that through federation or immigration Africans will find themselves in a subordinate place. Economic development will need foreign capital and foreign skill. But immigration is already strictly controlled, as is the alienation of land. There is no reason to fear that industry and mining, which are bound to be on a small scale compared with agriculture, will upset the Africans' land rights or lead to much immigration. Nor will industrial development be accompanied by an industrial colour bar. The clearest possible pledge on this point was given by Sir Andrew and reaffirmed by Mr Lyttelton this week. They went farther and declared that both government and industry will train Africans for skilled work and responsible posts.

On constitutional issues Mr Lyttelton made no definite statement, although the Baganda's proposal that Uganda should be a federation was implicitly turned down by his declaration that only as a united country would the protectorate be strong and prosperous. But the Government is taking one new step to help solve Buganda's constitutional problems: in particular the relations between the Kabakship, the Ministers and the Lukiko, and between the Lukiko and the Legislative Council. An independent "expert," as yet unnamed, has been asked to go out to Uganda to hold discussions with the interested parties, and to help them to put forward agreed recommendations. He will also discuss the implications of industrialisation. This is a novel and interesting alternative to the usual investigation of colonial troubles by a formal commission. It has the advantage that whatever recommendations are put forward will come from the people concerned rather than from an outside body.

Sparring on Disarmament

THE Soviet Union as a champion of disarmament in a wicked and warmongering world plays an important role in Soviet propaganda. It was hardly surprising, therefore, that Mr Molotov could not be entirely prevented from harping on the theme at Berlin. His proposal that a world disarmament conference should be convened this year was met by a counter-proposal from M. Bidault that the matter should, in effect, be returned to where the western ministers thought it belonged—the United Nations. What happened after Mr Molotov had been persuaded to confine his remarks on disarmament to the restricted sessions is not known. (Nor is it known what the Soviet and American foreign ministers said to each other at their private talks on the policy of atomic energy.) But at the end of the conference the four ministers announced that they had agreed to hold an exchange of views on disarmament "as provided for" in the United Nations resolution of November 28, 1953.

This agreement represents something of a concession by

the Russians to the western point of view. At the General Assembly last November great efforts were made to draw up a disarmament resolution for which both East and West could vote, in the hope that this would serve to heave the UN Disarmament Commission out of the rut into which it had fallen. This resolution suggested that the commission should consider establishing a sub-committee of "the powers principally involved which should seek in private an acceptable solution" of the problems of disarmament and of atomic weapons. But the Russians would do no more than abstain; and their abstention was held to mean that they would not collaborate in the private talks proposed by the resolution. Now, however, they seem to have changed their minds.

After the Berlin conference Mr Molotov said that the agreement on disarmament talks imposed "definite obligations" on the four powers. What exactly—if anything—he meant by this remains to be seen. Last November the Russians were still trying, without success, to stuff down the throat of the General Assembly their omnibus peace plan, which calls among other things for the unconditional prohibition of atomic and hydrogen weapons and a one-third reduction in the armed forces of the Big Five. Unless they can produce some more realistic ideas, the proposed private talks have little chance of success.

Mr Rhee's Pacific Pact

MR SYNGMAN RHEE is trying to drum up support for a Far Eastern anti-Communist alliance. Last November he went to consult Chiang Kai-shek on Formosa and both men afterwards issued a joint appeal to the nations of South East Asia to join an anti-Communist Pacific pact. Now Mr Rhee has dispatched a goodwill mission to take further soundings in Saigon and Bangkok, as well as in Formosa. His objects are clearly to build up his own prestige and obtain still more support and military aid from the Americans.

The South Korean President has no doubt found grounds for hope in the statement made last June by the American Secretary of State when discussing the problems of Middle East defence. Mr Dulles said that the United States, while waiting for a formal security association to grow up in this area out of the present vague desire for a collective security system, could "usefully help to strengthen the interrelated defences of these countries," so that they can resist the "common threat to all free peoples." There is no theoretical reason why the same principle should not apply to other parts of the world, including the Far East.

In practice, however, there are at least two important respects in which the Far Eastern situation differs markedly from the Middle Eastern. In the first place, the countries now being canvassed by Mr Rhee's emissaries are already receiving American military aid on a substantial scale. The Americans have recently increased their efforts to reinforce the Thai army, navy and air force, partly in response to the general threat of the war in neighbouring Indo-China, partly with an eye on the autonomous Thai area within China; it is thought that China might some day use these Thais as "volunteer" forces in Burma, Laos and Siam itself. In the second place, the Americans have always been highly

sceptical about the possibility of a really effective anti-Communist alliance in the Far East. At this stage it might be of some use psychologically, but they maintain that such an alliance, if it is to carry any weight, must include Japan; and there is not the ghost of a chance that either Rhee or Chiang would welcome Japan as a member of their club.

Pink Peers and Red Scouts

A YOUNG man called Paul Garland is a member of the Young Communist League, a fatuous organisation which has about 1,500 members and so little grip upon the faithful that in any one year about 80 per cent of its members leave—to be replaced by others. Garland has been refused enrolment as a Rover Scout, and his case has been indignantly cited as an example of the evils of McCarthyism. One evil of McCarthyism has indeed been demonstrated in the affair; the fact that it has induced woolly libertarians to suppose that it is respectable to start hunting for witch-hunters, as a sign that one does not believe in hunting for witches. This attitude is based on a total confusion between discrimination and intolerance, which are very different things.

The Scout movement, after all, "fears God and Honours the Queen," and demands of its members a pledge in those words. It may be held that the scouts ought to cut the "Scout Promise" out of their constitution. So long as it stands, however, it is hardly reasonable to protest at a scoutmaster's refusal either to waive it for the special benefit of Communists or, by accepting it from Communists, to allow it to be cheapened to the point of tongue-in-cheek meaninglessness. One would not deny to the Ancient Order of Rechabites the right to refuse admission to a newly-enrolled and active supporter of a drinking club; nor could the refusal be reasonably regarded as persecution; intolerance, and the infliction on its victim of a pariah's status. Or would it? Perhaps if Senator McCarthy had devoted his attention to drinkers and their friends and associates, if every Civil Servant who had once laughed at a Guinness advertisement or expressed an admiration for G. K. Chesterton were lying awake at night wondering whether to resign or wait to be fired, the answer to the question might be different. But, for the moment, the Labour peers and politicians who have been criticising the Scout movement's decision are in an invidious position. Among the forty organisations quite rightly proscribed by the Trades Union Congress and the Labour party for their membership stands the Communist party. McCarthyism at Transport House?

Civil Service Centenary

A HUNDRED years ago this month the Northcote-Trevelyan Report on the Organisation of the Permanent Civil Service was presented to Parliament. The centenary has been marked by two elegant little publications—one a

historical account by Mr Wyn Griffith and the other a lecture delivered in the University of London by Professor K. C. Wheare.*

The report of 1854 made four main recommendations, which became the corner stones of the service as it is today. These were, first, that appointments to the civil service should be made by competitive examination and not by patronage; second, that promotion should be by merit and not by seniority; third, that there should be a distinction between copying and intellectual work; and fourth, that there should be single integrated service. At the time these recommendations, especially the first, were horrifying to many people. Queen Victoria feared that to abolish patronage would fill the public offices with "low people without the breeding or feelings of a gentleman." Trollope, in "The Three Clerks," caricatured the authors and suggested that they would in time subject the whole population, even females, to examinations. Sir James Stephens declared that

No man of real mental power, to whom the truth is known beforehand, [will] subject himself to an arduous examination in order to win a post so ill-paid, so obscure and so subordinate.

How wrong he was. That the service has been able to attract able young men is largely due to the separation of routine from intellectual work suggested by Northcote and Trevelyan—the creation, in fact, of the Administrative grade. Professor Wheare suggests another reason: the social prestige that once derived from aristocratic patronage survived the introduction of the competitive examination, and still contributes to the honour in which the service is held.

But if the civil service has had more than its share of the nation's talent in the past, there are now fears that the standard of entrants will fall. It was disputes over pay in the lower grades of the civil service that prompted the appointment of the Royal Commission that is now inquiring into pay and conditions; as a result, the centenary has also been marked—through historical coincidence—by the publication of a factual memorandum submitted by the Treasury to the Commission on the share-out of the £400 million odd paid in salaries to the 745,000 non-industrial civil servants (excluding the foreign service) last year. The report suggests that there are obvious anomalies in the "Tomlin formula" under which civil service salaries are now determined. But it is to be hoped that the Commission will not merely concentrate on ironing out these anomalies in the lower grades; the vital problem before the civil service in this centenary year is whether rewards of public service are high enough at the top to attract those who can become "statesmen in disguise."

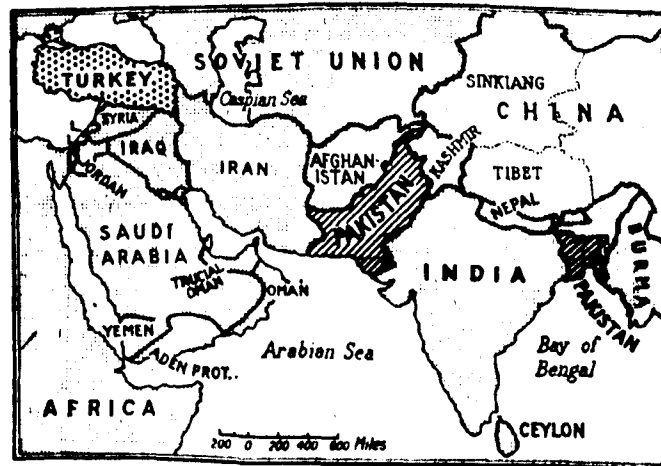
Hands across Iran

WHEN Sir Zafrullah Khan, Pakistan's Foreign Minister, was asked last week whether his new pact with Turkey could be called a first step towards a regional defence organisation, he replied cautiously that "it might and it might not." Two days later came his formal request to Washington for military aid under the Mutual Security

* The British Civil Service 1854-1954. Wyn Griffith, HMSO. 1s. The Civil Service in the Constitution. K. C. Wheare. Athlone Press. 2s. 6d.

programme. The pact is therefore a first breach in the "neutrality" front that India and Egypt would like to make of the so-called Arab-Asian bloc. As the map shows only too clearly, sheer distance impairs its military significance. Its importance is psychological, for it marks a shift in the pattern of Asian thinking.

Only a month ago, this seemed uniform. Moslems on a round of visits from Karachi to Damascus and Cairo assured one another that each had no thought of military links either with the west or Turkey, and that all were inimical to Israel. Since Pakistan's attitude has changed so fast, there is speculation whether its example will not be infectious to other Moslems; wishful thinkers forget that,

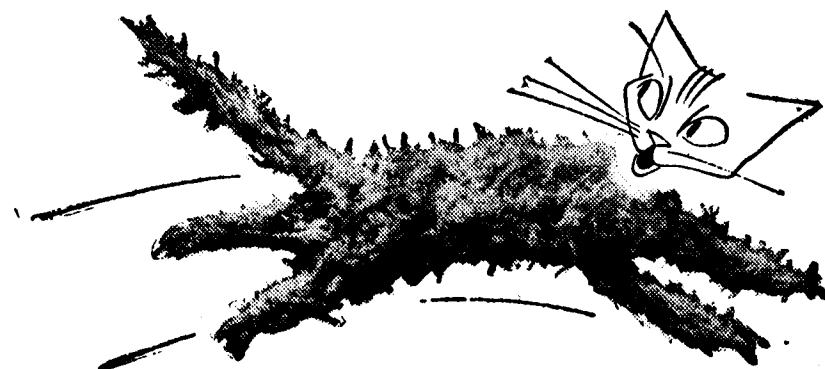


owing to Pakistan's links with the Commonwealth, it constitutes a special case. What it has done is to present the Arabs with proof that it is possible to do deals with the West without ceasing to bear it a grudge over Palestine.

On a map, Iraq and Iran stand out as the two exposed areas that might feel inclined to seek such an alliance, but Iran has two good reasons against doing so. It is temperamentally inclined to the balancing feat as between Russia and the West that it has practised so elegantly for more than a century; moreover, until it has created social conditions in which poor men have something to lose by change, its public will not put much heart into commitments against Russia. Iraq, with its promise of prosperity from oil, has more to defend than Iran, and is a little less loth to commit itself. Its premier has this week pointed out that the West is its only possible source of armaments; but to interpret this remark as promise of joining a military alliance is highly premature. The new pact, which is "open to all peace-loving states," is thoroughly distasteful only to Egypt and India, who, as would-be neutrals, ought to be peace lovers *par excellence*.

Arming India's Neighbour

MR MOHAMMED ALI, Prime Minister of Pakistan, has now officially stated that his government has requested military aid from the United States; at the same time he emphasised that there were no conditions attached to the assistance and that the question of lending bases to foreign forces did not arise. The help, he said, would be used simply for Pakistan's own "legitimate defence" and to enable it to take part in the United Nations system



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THIS ANNOUNCEMENT SHOULD NEVER HAVE TO BE PUBLISHED!

If the dilemma of British farming had been considered seriously, such a plea as we are about to make would have been unnecessary!

Here we all are, in an overcrowded island of some fifty million people. After two world wars, we depend increasingly on home production for our food supplies. The era of cheap imported food has gone forever.

During the vital war years, our farmers got the support they so rightly deserved and they responded in full measure to the call for extra food. Now, when the need is just as great, we ignore their reasoned arguments for easier credit facilities. Is this a sensible attitude?

We must have more food from more acres. Farm wages have risen, so farmers must offset these rising costs with more mechanisation and the replacement of antiquated machinery. More money must be found—yet loans to farmers are still subject to the high rate of 5% interest! Taxation adds yet another burden, preventing the accumulation of capital to plough back into the farms.

This absurd situation must be altered. Loan interest rates must be lowered. Some form of tax relief must be granted. Capital must be readily available for agricultural expansion—not to line the farmer's pocket, but to produce the nation's basic essential—food!

The land is our finest investment. Let us not forget it!

GROW MORE FOOD IN BRITAIN

Issued in the interests of British agriculture by
Massey-Harris-Ferguson, Coventry.

of collective security. As thus stated, there is nothing to give India valid ground for objection, yet its hostility to the pact is nevertheless intense.

The main cause is undoubtedly the fear that Pakistan, with increased strength, may threaten or even make war on India over Kashmir and other disputed issues, and that India will be put at a disadvantage in relations with Pakistan by the American action. But Mr Nehru has preferred to put his case publicly on quite different grounds; he talks about Pakistan bringing the cold war to India's doorstep and seems to claim some kind of right to determine his neighbour's foreign policy. This attitude inevitably forfeits sympathy abroad, for it is clear that if India has a right to be neutral in the current division of the world, Pakistan has an equal right not to be. It is certainly not the intention of the United States to strengthen Pakistan against India; it is rather that both nations should be strong enough to prevent seizure of the sub-continent and its resources by the Communist powers in the event of a general war.

It would probably now be politically impossible for Mr Nehru to accept aid from the United States even if the latter were willing to extend it. India might increase its own arms production, but only at the cost of disrupting the present Five-Year Plan, with serious consequences both for the economy and for the popularity of the Congress party. A movement for a pro-Soviet policy which would bring arms supplies from the Soviet Union might easily become a formidable factor in Indian politics. There remains the possibility that Commonwealth countries might provide India with some help in the field of defence, particularly as regards up-to-date weapons in which it is notably deficient. Indeed, it is a mystery why they did not supply Pakistan adequately.

Free Pacts Next Year?

THE Minister of State at the Board of Trade was able last Monday to be more informative on the subject of newsprint than he had been the week before. He said that representatives of the newspapers had now told the Government that the supplies of newsprint available to them this year will not be large enough to permit the removal of rationing. Last week Mr Heathcoat Amory had puzzled the House by saying that "supplies sufficient to maintain a safe stock level and provide for any increase in present consumption are unlikely to be available this year"—a statement that seemed hard to reconcile with the known offer by Canadian mills to supply an extra 100,000 tons in the year starting next July (including about 50,000 tons by the end of 1954).

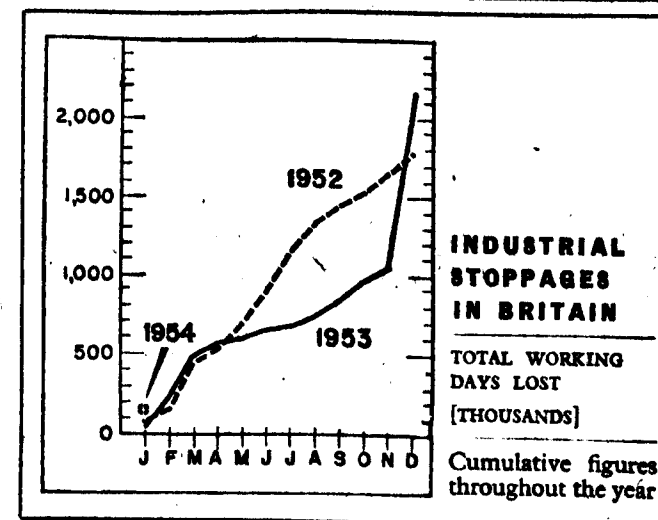
The newspapers' representatives believe that an extra 100,000 tons a year of imported newsprint might be enough to allow the end of control next year. (It would not be enough if increased imports represented the only possible addition to supplies, but the newspapers are counting on being able to attract much of the home-produced newsprint that is now exported.) Even if the Government were to make sufficient dollars available, the newspapers would certainly hesitate to seek all their additional import requirements from Canada; but it is plain that if they are to get rid in 1955 of the galling restrictions on their size, more

dollars will have to be spent than the (recently increased) amount now authorised. The Government must decide quickly what it is prepared to allow, because newsprint cannot be bought over the counter at the moment it is needed. Its decision should give due weight to the fact newsprint is one of the few raw materials still subject to quantitative restrictions, and that Britain's is the only free press in the world that still endures rationing, it should perhaps be hastily explained that weekly newspapers do not generally use newsprint; conscientious readers need not fear that increased imports of it would cause *The Economist* to grow any bigger.

Uncertain Irish Trade

THE provisional returns of the Irish Republic's trade in 1953 (writes our correspondent in Dublin) show that exports, at £114 million, were the highest ever recorded. Imports were valued at £183 million, and thus the visible adverse balance was £69 million, compared with £71 million in 1952 and £123 million in 1951. In both 1951 and 1952 net invisible earnings were around £60 million; this suggests that the total deficit on the balance of payments last year was very small—although, probably, still a deficit.

These results have been received with rather more satisfaction than they warrant. Neither side of the account looks very reliable. Imports are beginning to increase again after a sharp fall from the stockpiling year of 1951. No doubt this reflects greater industrial activity; but industrial output does not make any significant contribution to the export trade, which depends principally on the ability of Irish farmers to sell at competitive prices. It is here that misgivings are greatest. The fall in the price of some products and the freeing of the British market can hardly fail to affect a trade which has enjoyed good prices for many of its products and which was provided with unrestricted markets throughout 1952 and much of 1953. British restrictions on imports from the Continent. If exports will be more difficult to sell in 1954 than in any year since the war. This means that the Irish economy may be faced with some uncomfortable readjustments in the coming months; and it is only too easy to imagine circumstances in which the balance of payments for 1954 might go badly wrong.



Letters to the Editor

Apartheid in the Universities

SIR—In the issue of January 9th, commenting on the address delivered by Dr D. F. Malan as Chancellor of the University of Stellenbosch, you state: "Race relations are bound to suffer by this new isolation of contacts between the races." May I ask why? After all, as any schoolboy knows, contact is the one essential element for conflict. The European and the Bantu had no conflicts with one another at all at the time that van Riebeeck landed at Cape Town in 1652. It was only when contact was established in the vicinity of the Kei river, between the Bantus proceeding southwards from the north and the Europeans proceeding northwards from the south, that wars ensued.

When the various planes of contact (and therefore also of friction) in South Africa are taken into account, it is quite surprising how well South African Governments from time to time have succeeded in avoiding serious trouble. We have here not only Protestants and Catholics, not only English-speaking and Afrikaans-speaking South Africans; but also a very large number of German people in South West Africa (where German is an official language); one of the largest percentages of Jews in the world; a Bantu population of some 8 million which is divided into any number of nations or tribes; and those that fought one another bitterly until the Europeans established some measure of peace and order between them; a large number of Indians; a number of so-called "Cape Coloureds" born from an intermingling of races; and a number of Cape Malays, who are descendants of the Malays who came to the Cape under the Dutch rule.

Taking into account that practically all the groups speak different languages, have different customs and different political aspirations, it is quite clear that indiscriminate contact and intermingling must result in friction and bloodshed. Everybody realises that contact in some form or other is inevitable, but in South Africa there is such a lot of contact daily that is completely unavoidable that the Government must ease the tension by limiting contact and ensuring separation in all spheres and places where it is possible.

To compare the racial policy of South Africa in your mind's eye with that of India, or Great Britain, or the Gold Coast, would be fallacious. In those countries the minority populations are such a small percentage of the total population that, no matter what policy is followed, the consequences could not be too serious; but when the percentage

comes to 20 per cent and more, in different minority groups, racial policy that limits the planes of friction when and whenever possible is imperative. This entails a lot of work, a lot of expense, and a lot of criticism from unenlightened outsiders who have nothing to lose; but the alternative is the lynchings of the southern states of the USA where the Federal Government, ideologically blinded by the theory of equality, has been enforcing contact on the people. In contrast we prefer apartheid.—Yours faithfully,

D. W. R. HERTZOG
Stellenbosch, South Africa

Blaming the Index

SIR—The interesting chart in your issue of February 13 gave the following index figures for prices, wages and profits in 1953 on the base 1938 = 100:

Weekly earnings	300 (estimated)
Consumer prices	228-229
Wage rates	228-229
Gross dividends	140-150 (estimated)

The following are the maximum salaries of Assistant Secretaries and Principals in the Administrative Class of the Civil Service in 1953 on the same basis:

Assistant Secretaries	145
Principals	143

It has been estimated that salaries of other professional men have, in general, about doubled over the period.

These figures show what a depressed class these senior Civil Servants have become. It is also borne in mind that the "interest" rate has been 2 per cent since pre-war days, and that the maximum annual leave allowance has actually been reduced by 25 per cent. It is therefore hardly surprising that, as recently announced, the Administrative Civil Service is now attracting a smaller proportion of the best graduates than heretofore. If this continues it must inevitably lead to a decline in standards at a time when the ever-increasing complexity of government administration demands a Civil Service at maximum efficiency.—Yours faithfully,

CIVIL SERVANT

Cheap Food or Dear Farming

SIR—Your article of February 6th leaves the major question unanswered. Does the country want increased food production or not? The Government is aiming at 60 per cent above 1938 production by 1956. As things are going at present this will not be achieved. If the country made up its mind that an expanding agriculture (which is a very large customer of many home industries) was in

the national interest, then an 80 per cent or even 100 per cent increase over 1938 would be by no means impossible. But to achieve this a very different outlook would be necessary. In the first place the neglect of home agriculture of the past 100 years would need to be repaired.

It is easy to say that Danish bacon for example is cheaper and better than British bacon. This is quite correct, but it need not be so. The supremacy of the Danish bacon industry was not achieved in a year, or a decade, or even a generation. It is the result of planning and effort on the part of the Danish Government and Danish farmers for more than half a century, while you say in your article that an assurance to British farmers for four years ahead is unnecessarily long. It has been truly said that it takes longer to produce a bullock than a battleship. The builder of the battleship gets an assured end price for his product, but you would not allow similar treatment for the producer of the bullock. There is no inherent impossibility in the British farmer being able, in time, to produce as cheaply and as efficiently as the Danish or Dutch farmer, and to supply all our needs of milk, butter, cheese, cream, bacon, pork, eggs, poultry, etc., so that no imports at all of these products would be necessary.

What would be the reaction of our exporting industries to a reduction in our food imports from abroad, with a probable reduction in the purchase of our manufactured goods by food exporting countries? In other words does the country really want increased agricultural production? Farmers are coming more and more to the view that it does not, and that agriculture is going once again to become the Cinderella of our industries, to be kept at mere subsistence level in time of peace, but to be conveniently handy to save us from starvation in time of war. Your article would seem to support this view, and the farming community is naturally chary of investing too heavily in such an insecure industry. Without very considerable new investment, technical and productive progress is impossible. Farmers would be exceedingly foolish to undertake a difficult and expensive expansion programme without some assurance that this would not merely depress the price of all their production to an unprofitable level, as has so recently happened in the case of eggs.—Yours faithfully,

ROGER CHAPMAN
Newport, Monmouthshire

Uneconomic Nationalism

SIR—In your comment in your issue of February 6th, you refer sorrowfully to "the Treasury's vast—and unnecessary—labour in producing Cmd. 9051, which sets out details of revenue and expenditure in 1952-53 for England and Wales on the one hand and Scotland on the other." Why unnecessary? And why should not the same be done for Wales separately? Judging by the extravagance of your language in describing the views of Scottish and Welsh Nationalists, one suspects that on

this occasion you may have been under the influence of metropolitan provincialism.

You, Sir, appear to be quite satisfied with the light shed by aggregates; but is it unreasonable for Scotsmen and Welshmen to want to see these aggregates broken up so as to throw light on what is happening in their own countries? We now know that in the year 1952-53 Scotland contributed 9.69 per cent of British revenue and received 12.34 per cent of British expenditure which can be specifically allocated. Your comment on this is that "the English welfare state is not being paid for out of Scottish taxes," and you hint that separate returns for Wales would be even "less complimentary than those for Scotland." Your way of interpreting these figures is rather one-sided: the Catto Report was careful to point out that "... lower revenue might be symptomatic of unfavourable industrial or trade conditions that might in turn give rise to the need for increased expenditure." (Cmd. 8609, p. 53.)

Now that we have these financial returns for Scotland, it is inconceivable that the Welsh figures should continue to be merged with those of England. The whale may be quite indifferent to the presence of Jonah in his belly and he may sincerely believe that it is in Jonah's best interests to stay there, but if Jonah registers his own point of view by kicking a little, one would hardly suggest that he is the misguided victim of a "silly abstraction."—Yours faithfully,

BRINLEY THOMAS
University College, Cardiff

Housing and the Bill

SIR—A simple and equitable method of reducing the burden of housing subsidies, and one which Mr Butler could usefully adopt in his next budget, would be to add the total amount of the subsidy on any particular house to the income of the tenant for taxation purposes. This is only fair and reasonable, since these subsidies represent as much a form of income as family allowances—which are taxed. Tenants with a low income or many dependants pay very little income tax anyway, and will not be greatly affected. Tenants with a fairly substantial income and few liabilities, paying the higher rates of tax, will find the benefit of the subsidies reduced.

The subsidy on individual houses should be known to, or could be calculated by local authorities (who should, in any case, notify tenants of the amount of the subsidy on their particular property), and the actual subsidy should be used, not the minimum standard subsidy. The former averages about double the latter on recently-built property. If, however, calculations of individual subsidies were considered too involved, a fixed allowance could be substituted based on the size of the house and date of construction (which governs construction costs and interest rates).—Yours faithfully,

L. A. COOK

Books & Publications

Revolutionary Colossus

THE PROPHET ARMED. Trotsky, 1879-1921.

By I. Deutscher.

Oxford University Press. 340 pages. 30s.

THERE are plenty of dwarf Trotskys in the world, and this detailed portrait of the giant himself may make it easier to understand and deal with them. For Mr Deutscher, in this first volume of his biography of Leon Bronstein, performs two services: he sets forth much new material that Soviet historiographers would dearly like to suppress but which is essential to the understanding of the triumphs and failures of the Bolshevik Revolution; and he reflects the puzzlement of the western intellectual, muddled by Marxism, as he confronts the passionate arrogance and lucid ruthlessness of the modern revolutionary. Now that Mr Deutscher has displayed so much imaginative brilliance and intellectual vigour in recreating this unscrupulous personality, some humble bourgeois can examine Trotsky in the light of more human considerations and more permanent values. Was he a wicked man of a deluded mind? Are the see-saws in his thinking to be remembered to his credit or to his discredit? Is his predicament in 1920 to be compared with that of a "protagonist in a Greek drama," as Mr Deutscher would compare it, or with that of a villain in a Shakespearean play? Perhaps we have more to say on these aspects of the matter, though it is only fair to add that Mr Deutscher is a merciless seeker-out of inconsistencies.

That something should be said is important, for British views of the Soviet achievement are likely to be dominated for some time to come by the recent work of Mr Deutscher and Mr E. H. Carr. The latter is almost inhumanly objective in his analysis of the Bolshevik revolution, and Mr Deutscher is almost purringly tolerant in his criticisms. Both writers, it is true, have rendered great service by restoring a sense of proportion to the discussion of events that arouse such passionate controversy and still influence the fates of nations; but a little well-balanced and hard-hitting liberal history writing will be called for soon.

Another criticism may be made of Mr Deutscher's treatment. It is that the personality of Trotsky is allowed too much to dominate its historical framework. There is no adequate picture of the "canaille" Europe that helped to form him, or of the Russia that he

helped to transform; one has the feeling that Trotsky, apart from his early cruel experiences in prison, was up against a not very efficient enemy in the Czarist system, and that something more is needed to explain the Bolsheviks' success than their gift for conspiracy and efficient organisation. In many places Mr Deutscher seems to be adapting successfully the technique of Macaulay; he should widen his canvas in the manner of that master. Otherwise there can be nothing but praise for the order, clarity and very compelling manner of the narrative.

Mr Deutscher turns some happy phrases, and his descriptive style has an engaging sleekness. Trotsky, he says, thought aloud and in public, but it needed "Stalin's bat-like character" to carry the ideas into execution. One remembers the picture of young Bronstein sitting in Siberia "bashing the cockroaches off the pages" of Karl Marx. There is a vivid brief description of the suppression of the Kronstadt mutiny; and he hits off admirably the helpless arrogance of this colossal intellectual when he writes: "Trotsky hoped to persuade people that they needed no government by persuasion" and "in his career he gave the people ample notice of the dangers threatening them." From his own plans. Mr Deutscher has obviously been stimulated by the brilliance of his subject's own style, especially by his "intuitive" gift as an historian and as a prophet of the revolution's future betrayal of its ideals. Indeed, the contradictions of capitalism look relatively simple and soluble compared with the predicaments of Trotsky and Lenin as they switched from war Communism to the New Economic Policy.

An interesting question of historical judgment arises more than once in Mr Deutscher's analysis. He sees and presents the political difficulties that confronted the Bolshevik leaders in terms of dilemmas and antitheses rather more clear-cut than the pressure of political activity normally allows. Admittedly, many of them were men with years of practice in intimate argument among themselves, in planning without responsibility for consequences, and in thinking in schematic ways. But were their decisions really made, say in 1920-21, in this way? For example, at what Mr Deutscher calls the crossroads of the revolution—the point at which the party decided to be deliberately undemocratic—he says that free voting and speaking would have destroyed the dictatorship;

but if the dictatorship destroyed proletarian democracy, it would lose its moral legitimacy, even in the dictators' eyes. That sounds like the tragic dilemma of honest and merciful men; but is enough allowance made for the vanity of Trotsky, the impatient administrator, or for the personal motives of Lenin, the astute politician, then "struggling for breathing spaces?"

One wonders whether other motives—for example, the sub-conscious contempt of the intellectual for the worker—did not play their part. Mr Deutscher remarks acutely that these leaders discovered (as the British Labour Party has been discovering) that no one in the vast literature of Marxism and Socialism had ever thought what should be done if the workers should lose confidence in socialism when they saw what its methods were. Or, as Trotsky himself said of the Jacobins of the French Revolution in his pamphlet of 1904 attacking Lenin: "The counterpart of their absolute faith in a metaphysical idea was their absolute distrust of living people." Perhaps Mr Deutscher's second volume will show Trotsky, in his opposition to Stalin, becoming more humble and more human. In any case it will be eagerly awaited, for this is a fascinating and stimulating book about historical events that are still in train.

Social Insect

WAYS OF THE ANT

By John Crompton.
Collins. 254 pages. 15s.

ALTHOUGH nearly all ants look much alike, they adopt astonishingly varied ways of life. Some live by sowing seeds, others by planting grain, cultivating mushrooms, milking aphids, scavenging, and even by capturing "slave" ants of other species to work for them. Their social systems show a number of variations on the patriarchal theme, as well as an effective co-ordination of the behaviour of the individuals *pro bono publico*. Mr Crompton describes these animals in a vivid pictorial style which makes for easy and exciting reading: this and the inherent interest of his subject will ensure him many readers.

Unfortunately, however, he has not been satisfied with the wealth of material available to him, but has unashamedly endowed his ants "with attributes that we possess ourselves but that they probably do not." He considers this necessary to make ants comprehensible to the reader. Certainly a book for human readers must contain human concepts, and a popular book like this is no place for pedantic qualifications. But Mr Crompton has so far exceeded his licence that he has strayed into the world of fiction. The real ants are obscured when he describes their behaviour in terms of "fortitude," "courage," "restraint" and so on, and talks of ants "learning" patterns of behaviour which in fact have taken countless generations to evolve.

As one might expect, Mr Crompton concentrates on the spectacular species with the more bizarre life histories at the expense of the equally interesting and

more revealing commonplace ones; he quotes at length the fascinating descriptions made by the nineteenth-century naturalists but ignores the work of the more recent and physiologically minded entomologists. This is a great pity, for ants are really much more marvellous if one remembers that they are not miniature men, and show their complex behaviour in spite of their simple organisation and tiny brains.

Sceptic in West Africa

FOUR GUINEAS: a Journey through West Africa.

By Elspeth Huxley.

Chatto and Windus. 314 pages. 21s.

MRS ELSPETH HUXLEY'S talent for interviewing is well known in Africa. Within fifteen minutes she can turn out the contents of her victim's mind, pick out the patchwork pieces she requires, discard the unwanted and return the whole to the ragbag. Back home she synthesises the colourful and variegated material she has collected, and produces beautifully written books like "Four Guineas," a travel book on the four countries which make up British West Africa, the Gambia, Sierra Leone, the Gold Coast, and Nigeria.

Coupled with her genius for amassing and imparting information Mrs Huxley has a highly developed visual sense—most of the photographs in the books are her own—and nobody has ever written better pen pictures of the African scene. This gives a unity to what otherwise might have been four essays in one volume. She captures exactly the grace and proud precence of African women, gorgeously dressed, walking, along in single file, like figures in a Grecian frieze, and also the endless, aimless movement of Africans against the static backdrop of their country. The composite picture Mrs Huxley gives is in equal parts fascinating, exhilarating, and disturbing. It is a memorable book, even a brilliant one, but alas! not the great one it might have been.

The reason is that Mrs Huxley does not really like twentieth-century Africans. She strives very hard, too hard, for detachment. Yet she is afraid that Africans will not succeed in their modern struggle for progress, and instead of Utopia will produce some terrible and unimaginable Gehenna. Strangely expecting the African to be Rousseau's noble savage, she finds Africa not primitive but decadent, and regards it as the *oubliette* down which are drained all the better elements of European civilisation that reach the continent. Moreover, Mrs Huxley is not fundamentally interested in politics, and nationalism seems to her childish, so that sympathetic understanding of African nationalist politics is beyond her range. She feels nationalism as a force carrying the African peoples through "caverns measureless to man, down to a sunless sea," certainly not as a stage, perhaps sometimes unattractive, in the growth of any people towards political maturity. The contrast between the savage old

Africa and the mechanics of modern political democracy, such as the ballot box, jars her continually. "I think," she writes early in the book, "Africa is a haunt of the ludicrous, the incongruous, the illogical, a playground of events that own no pedigree and will breed the unforeseen." Feeling too sharply the distinction between black and white, she forgets that elements of *opéra bouffe* have been present throughout human history.

French View of Germany

L'ALLEMAGNE CONTEMPORAINE—SOCIALE, POLITIQUE ET CULTURELLE, 1890-1950. 2 Vols.

By Edmond Vermeil.

Editions Montaigne, Paris. 827 pages. 38s. 6d.

PROFESSOR VERMEIL of the Sorbonne has written a number of books on German problems and in France is considered an authority on Germany. In his latest work he surveys the whole political, social and literary history of Germany from Wilhelm II to Hitler to support his thesis that the National Socialist régime was the necessary and inevitable outcome of what had gone before. This interpretation of German history is not strange in a Frenchman conscious of all his country's sufferings at the hands of the Germans. But, however much sympathy the British reader may have for the sufferings of the French, he will want to have a close look at the evidence adduced to support a theory of this kind.

Unfortunately, the political chapters of M. Vermeil's book are not so accurate as one would expect from an author of his rank. There are, indeed, some inaccuracies even in the first volume, which deals with the reign of the Kaiser; there are many more in that part of the second volume which is concerned with the history of the Weimar Republic. The author seems to get lost in the labyrinth of the party politics, coalitions and governments of this period. Professor Vermeil asserts, for instance, that the London ultimatum has "brusquement rejeté la Social-démocratie dans l'opposition." In fact, the ultimatum of May, 1921, caused the retirement of the Fehrenbach government, in which the Social Democrats had not taken part, and the formation of Wirth's first cabinet, in which they obtained three seats. When Gessler is referred to as the successor to von Seeckt, one cannot help wondering whether the author knows the difference between Reichswehrminister (Minister of Defence) and Chef der Heeresleitung (Commander of the Reichswehr). Indeed, Seeckt was for five years Gessler's subordinate and was dismissed by him in 1926.

It is perhaps more serious still that while Professor Vermeil correctly describes the devastating effect inflation had on the German middle classes, he hardly says a word about the policy of Poincaré which aggravated the inflation by the occupation of the Ruhr and

Forced Landing*

THE scene was an airfield in New Jersey. Two men, a test-pilot and a friend, took off in a small cabin monoplane. As they circled the field (with 100ft. on the altimeter) the passenger put his arm through the cabin-window and waved down to his family who were watching from the ground.

To his dismay he saw in the air below the aircraft a bright disc of metal, twinkling as it fell. The leather strap of his watch had snapped, and his Rolex Oyster, his inseparable companion, was flashing down to the ground.

It was a chastened joy-rider, who, when the flight was over, began, rather hopelessly, to search the airfield for the pieces: the gold of the watch, might, he thought, be salvaged.

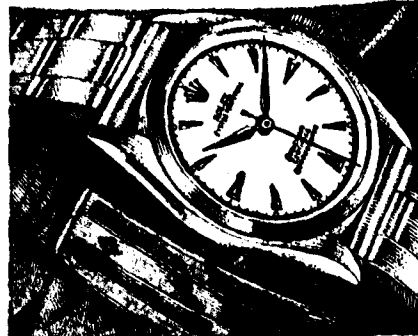
Suddenly, in a muddy puddle, beside the taxi-strip, he saw his watch. Picking it out of the dirty water, he was amazed to find that his Rolex was showing the right time. It had not, in fact, lost a second through its forced landing—and it has maintained its accuracy to this day.

One result of this was that the pilot, who was even more astonished than the citizen of New Jersey, announced his immediate intention of buying a Rolex Oyster—"a watch that can take a beating like that."

But Rolex Oyster watches, of course, can take it. They have ticked happily beneath the sea, and on the heights of the Himalayas. They have travelled across the Sahara, and into the Arctic wastes. That a wrist-watch so meticulously accurate can stand up to such rigorous conditions is your witness that no more perfect protection exists for a perfect Swiss movement, than the famous Rolex Oyster waterproof case.

Though you may never expose your Rolex to such hazards, this unique feature will for ever guard your watch's accuracy from its everyday enemies—damp and dust and dirt.

★ This is a true story, based on a letter from Mr. R. Nicholas Farr, of Hummel, New Jersey, U.S.A., who was the passenger in the aircraft. His original letter can be inspected at the Office of The Rolex Watch Company, at 18 rue du Marché, Geneva, Switzerland.



THE ROLEX OYSTER PERPETUAL—truly a monarch among watches. The astonishingly accurate movement, perfectly protected by the Oyster case, is given added precision by the self-winding mechanism. The tension on the mainspring is much more even, overwinding is impossible.

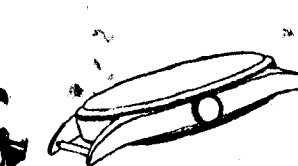
THE ROLEX OYSTER PERPETUAL DATEJUST, finest of a long line of masterpieces. This watch is waterproofed by the famous Oyster case, self-wound by the unique Rolex Perpetual self-winding "rotor," and it shows the date, clearly and automatically, in a neat window cut in the dial.



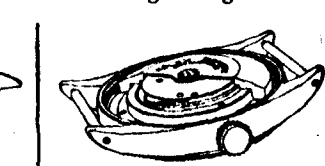
... the watch was showing the right time."



The Rolex Red Seal signifies that the watch to which it is attached has been awarded an Official Timing Certificate by a Swiss Government Testing Station, with the proud title of chronometer.



As from now, all Rolex Oyster Perpetuals are graced by the new, slimmer Oyster case. This unique invention infallibly protects the movement against water, dust and damp.



The smooth-running, silent, self-winding "rotor" keeps the Rolex Oyster Perpetual fully wound automatically, provided the watch is worn for at least six hours a day. This constantly even tension on the mainspring makes for still greater accuracy.



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thing. Tomorrow I will scorn the wiles of
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reading the Manchester Guardian.

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Manchester Guardian is a seeming duty
which so soon becomes a positive pleasure.
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refreshing integrity and idealism. It is a
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loyal affection. Yes, perhaps you will change
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embittered wide sections of the German people.

Professor Vermeil is exceptionally well acquainted with German cultural and social literature. But whether his interpretation of the effect of a particular book on the public is always the right one must remain a matter of opinion. He finds seeds of National Socialist tendencies everywhere, even in Gerhart Hauptmann's novel "The Heretic of Soana."

Water-Jumps

THE BRIDGES OF BRITAIN.

By Eric de Maré.
Batsford. 226 pages. 42s.

THE claim that this book, published in 1954, is "the first comprehensive survey" of the bridges of this island calls for more than a mere exclamation of surprise. Mr de Maré must be congratulated on seeing and seizing his opportunity, and his publishers on backing him so handsomely. The format of the volume, its paper, type and reproduced photographs could, at a marketable price, not be bettered. On the whole, the author, too, has fulfilled his task with a commendable blend of diligence and enthusiasm, and the few criticisms which decline to be silenced should in justice be made at once and not be left as a last impression. The omission of a bibliography, however brief, is curious. Again, Mr de Maré might profitably have spent a little more time on identifying his reader; the book seems, turn and turn about, too technical for laymen, too popular for professional architects and engineers. Lastly, there are the moments when, opening the wrong bottle, he fills his pen with violet ink. The purplest of his passages—a mounting paragraph of some twenty lines of ever-thickening plush, of ever-deepening mauve—occurs, fortunately, quite early in the book; their original impetus should still be strong enough to carry most readers—even if a little troubled by thoughts of Holborn Viaduct—through it.

As in all history, here is an enormous superstructure dwindling down to scant foundations. The earliest bridges surviving, the "clapper" bridges of huge stepping-stones, are elementary in conception, but in execution still subjects of controversy; compared with the Forth Bridge, they are an enigma. We know much more about the methods of the Romans, and all bridge-builders of Britain followed them. As the Middle Ages advance into modern centuries, Mr de Maré's story grows in fullness and interest, with details of finance and labour, as well as of construction and design—and of vested interests, too. Where London Bridge stands, the Romans probably spanned the river with a wooden structure, and a stone bridge was certainly begun in 1176. But so jealous of it, so powerful, was the City that, until Westminster Bridge was opened in 1750, it would tolerate no rival nearer than Kingston.

The admired bridges of the eighteenth century and the improved communica-

tions of which they formed a part, these have their chroniclers already, who are perhaps Mr de Maré's excuse for pressing on, a trifle hurriedly, to the engineering feats of the last hundred years. For many readers this, the largest section of the book, will be also the most absorbing; and, since they will deny the premises, it is idle to invite them to wonder why canal bridges are always, river bridges almost always, and railway bridges hardly ever objects of beauty.

North East Asia

THE PEOPLES OF THE SOVIET FAR EAST.

By Walter Kolarz.
George Philip. 197 pages. 15s. 6d.

THIS book, based—sometimes with a rather precarious objectivity—on material published in the Soviet Union, makes a careful and judicious study of Russian colonial methods in the Far East. The races and tribes whose destinies are controlled, mostly via Habarovsk, from the Kremlin range from the dwindling remnants of obscure aboriginal nationalities, like the Nivkhi and the Udege, to much larger and more self-reliant ethnic groups, like the Mongols and the Yakuts; Yakutia, the biggest of the sixteen autonomous republics, has an area roughly equal to the Republic of India. There are also—or there were—fairly large colonies of Chinese and Koreans, descended from the immigrants of Tsarist days; these for the most part were summarily uprooted from their settlements near the Manchurian frontier (on the grounds that they were a bad security risk and liable to spy for the Japanese), and many of the Koreans are now growing rice in Central Asia. The territories in which these diverse peoples live are vast, ill-served by communications and remote—Vladivostok is as far from Moscow as Calcutta is from London; and the problems confronting their rulers are complicated by the multiplicity—and often by the fervour—of their religious beliefs, which include various brands of Shamanism as well as Buddhism, Mohammedanism and Christianity.

Caprice is perhaps, after ruthlessness, the most conspicuous feature of Russian colonial policy. To the staunch European Communists who rule the roost in the Soviet Far East changes in the party line, and the purges which accompany or precede them, are part of an accepted order; they cannot, however, be expected to make sense to the simple nomad or fisherman, whose language is unlikely to contain any words in which the meaning of "party" or "state" can be expressed, and whose mind is inaccessible to the mumbo jumbo of Marxist dialectic. To a Russian official the overnight transformation of a beloved hero into a detested villain (Mr Kolarz gives an interesting account of Marshal Blyukher's sudden fall from grace) seems a natural and indeed a salutary event; it is much harder for the mind of a Buryat Mongol to adjust itself, as it had to in 1937, to the execution as Japanese spies of 54 leading members of his race, one of

whom had just been given the Order of Lenin.

Though some of the aboriginal tribes, too small or too dim to matter very much, have been clumsily "patronised" by the regime, it is on the whole a gloomy as well as a muddled picture that Mr Kolarz paints. In Siberia, he concludes, after pointing the contrast with Africa.

the peoples can have no hope of an end of European rule. They are too small in numbers to withstand the Communist offensive which combines the implementation of economic development schemes with social experiments and attacks on tribal institutions and customs.

His book is a serious and useful, though not a first-hand, study of a fascinating subject.

National Atlas

ATLAS OF AUSTRALIAN RESOURCES.

Edited by Conrad Frenzel.
Angus and Robertson. Maps, 10s. 6d.
Commentaries, 10s. 6d.

DURING the last thirty years, to the familiar world atlas of schoolroom and library has been added the national atlas, consisting of maps of one country only. Many of these are heavily subsidised "prestige" productions, of which the largest and glossiest is the apparently uncompleted "Great Soviet Atlas." Some of the more useful of these atlases consist of a series of maps of various national resources produced to assist schemes of town and country planning. The excellent British series of National Maps on a scale of 10 miles to the inch is one example, the new "Atlas of Australian Resources" is another. This will eventually consist of about fifty maps on a scale of about 95 miles to the inch, to be issued at a rate of some fifteen a year.

The subjects of the atlas include general geographical conditions and physical resources (16 maps), economic activities (8), transport (5), population and housing (11), and "potential development" (10). Cartographically the new maps are very pleasing. All are overprinted on a common base map, which facilitates comparison of the various distributions shown. Lettering is simple and uniform; symbols and colours are clear and intelligently related to the subjects that they represent. Tasmania, which in so many maps of Australia appears somewhere in the Great Australian Bight, is shown in its correct position. Already in the first five maps to be issued, the difficulties of Australian development are neatly displayed. On the one hand, in maps of mineral and water supplies, there is evidence of rich resources, while on the other the maps of temperature, rainfall and soils present some of the real, but not insuperable, geographical barriers to development. Irrespective of its immediate importance in development planning, this new atlas cannot fail to aid the understanding of Australia's problems, while a number of its sheets will be of the greatest value in school and university teaching.

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.

Anxiety Over Indo-China

Washington, D.C.

WHETHER the current Vietminh offensive in Indo-China succeeded in producing "a sense of crisis" at the Foreign Ministers' meeting in Berlin, as General Bedell Smith, the Under Secretary of State, believes it was meant to do, is difficult to tell from Washington. But there is no question that it has produced a three weeks' crisis in Washington for reasons only indirectly connected with the tide of battle.

Three factors have contributed to the sense of anxiety over Indo-China. The first is the mounting irritation of the Department of Defence with the French conduct of the campaign and the use to which American military aid has been put. The second is an outbreak of Congress's perennial fear, occasioned by the dispatch of some 12 light bombers and 200 Air Force mechanics to Indo-China, that a major decision of foreign policy is being made without its knowledge. The third is a more widespread questioning about whether the Administration's new strategy of deterring aggression by the threat of "massive retaliation" would make sense in the first practical test to which it might be submitted.

It has been obvious for some months that friction has been growing between the Defence Department and the French military leaders in Paris and Saigon. There has been constant criticism by American officers in Indo-China about the way in which American equipment has been used and maintained. Although an influential Republican Senator, Mr Smith of New Jersey, has suggested that American military and budgetary aid to Indo-China for the year beginning next July should be increased to \$1 billion as against the \$785 million granted for the current fiscal year, many senior American officers feel that successful resistance to Vietminh is no longer a question of *matériel*, but of the training of the Vietnamese forces, and of France's relations with the Associated States. A hint of the disappointment that is felt with the progress of the Navarre plan was given by President Eisenhower himself in his press conference of February 3rd, in which he made a mildly disparaging remark about the morale of the Vietnamese (which had to be softened in the first explanatory statement of its kind to be issued by the White House since he took office).

The United States Army is very proud of its success in creating a South Korean army of 600,000 men within three years, and has pointedly suggested by numerous means that the French High Command in Indo-China could usefully copy its methods. In the face of obvious French reluctance,

the offer of American services has been pressed to the point where it is now assumed that General John O'Daniel will go to Indo-China, not merely as the senior American liaison officer, but as the head of an executive mission, to help train the Vietnamese forces.

Difficult as it is for France to refuse the offer, it is a bitter one to accept, for it implies an admission by the descendants of Ney and Foch, not only that American strength, but also that American military skill, is superior. Nor is the friction eased by the difficulty that the Defence Department has in dissembling its view that, if Indo-China is a vital strategic interest of the United States, the campaign should be under direct American surveillance.

★

The State Department, which has consistently taken a more sanguine view of the situation in Indo-China and of General Navarre's prospects of success than the Defence Department, has fought off—thus far successfully—some of the more harebrained schemes for building up French-Vietnamese strength. It has its own reasons for not wishing to undermine France's position in Indo-China at what looks like the moment of final decision on the European Defence Community. But such considerations apart, the chain of reasoning which has led the Joint Chiefs of Staff to press for a more active American role in Indo-China, has raised in Congress the fear of American "involvement" in a new Far Eastern war. The decision to dispatch the 200 United States Air Force technicians to Indo-China was based on the sound military reason that increased Vietminh anti-aircraft fire made it necessary to give more attention to the maintenance of the American aircraft in the theatre than French resources could supply, but it brought Congress and the public to the sudden recollection that the conclusion of the Korean armistice nine months ago had not solved every problem in the Far East.

It was not entirely fortuitous that the most vocal expression of alarm came from Democratic Senators, including a number of Southerners and others who are normally well disposed toward the Eisenhower Administration's foreign policy. The traditional American dislike of colonialism is more strongly expressed in the Democratic than in the Republican party, even though the policy of aid to Indo-China was started under President Truman.

But there is also a more compelling political reason. Within the space of five years the Democrats suffered under

the Republican lash, first, for failing to expend American lives by intervening in the Chinese civil war, and then for expending them by intervention in Korea. It is difficult for the Democrats to be charitable at a moment when Senators McCarthy and Jenner, with the discreet encouragement of the Republican National Committee, are stumping the country accusing them of "twenty years of treason." Indo-China presents a stick with which to beat the Administration—whether it does too little or too much—which it is beyond the fortitude of Democratic flesh and blood to resist, particularly since, apart from the economic situation, there are few political weapons for the Democrats at the moment.

As a result, the Administration has protested too much. The President told his press conference that he was bitterly opposed to involving the United States in a hot war in Indo-China; the Secretary of Defence told him that "from our view and that of the French, the war is going along as well as expected at this stage." Senator Knowland gave a "categorical assurance" to his fellow Senators that the Administration had no plan of sending fighting troops there; and General Bedell Smith suggested that reports of the Vietminh successes had been exaggerated. Senator Saltonstall, the chairman of the Senate Armed Services Committee, said that he had been assured that the Air Force technicians would be withdrawn by mid-June.

In consequence the physical support to the French afforded by the technicians has been offset by the fact that Moscow and Peking have now received the firmest assurances that the United States will not make Indo-China a test case as it made Korea. As Mr James Reston put it in the *New York Times*:

The United States started out to reassure the French and the Vietnamese that it was increasing its help and ended with a demonstration in Washington that the United States was determined to avoid intervention in the war at almost any cost.

★

But a deeper sense of anxiety about American policy in Indo-China than the somewhat disingenuous alarm of Democratic Senators is discernible. It was less than a month after Mr Dulles precisely stated that henceforward American strategy would be developed on its own terms, not in hurried reaction to Communist attacks, that the Air Force technicians were rushed off to Indo-China. If "massive retaliation by means of our own choosing" is the order of the day, does this mean that the United States atomises Peking, Chungking and Shanghai when the first Mig shows its nose over Indo-China? By what standards can a policy so cataclysmic be judged effective?

The implications, though not as yet the realities, of Indo-China have exposed the shaky assumptions of the Administration's new strategy of deterring aggression. Mr Dulles's speech of January 12th to the Council of Foreign Relations, which is considered to be the definitive statement of that policy, is actually as full of reservations as a lawyer's defence of a doubtful criminal case, and it contains enough "escape clauses" to enable the United States not to take action in any case where it does not choose to move. But the interaction of the political and strategic implications of its application provide at least one clue to the reason why Mr Dulles acceded at Berlin, to the surprise of American opinion, to French pressure for a negotiated settlement in Indo-China.

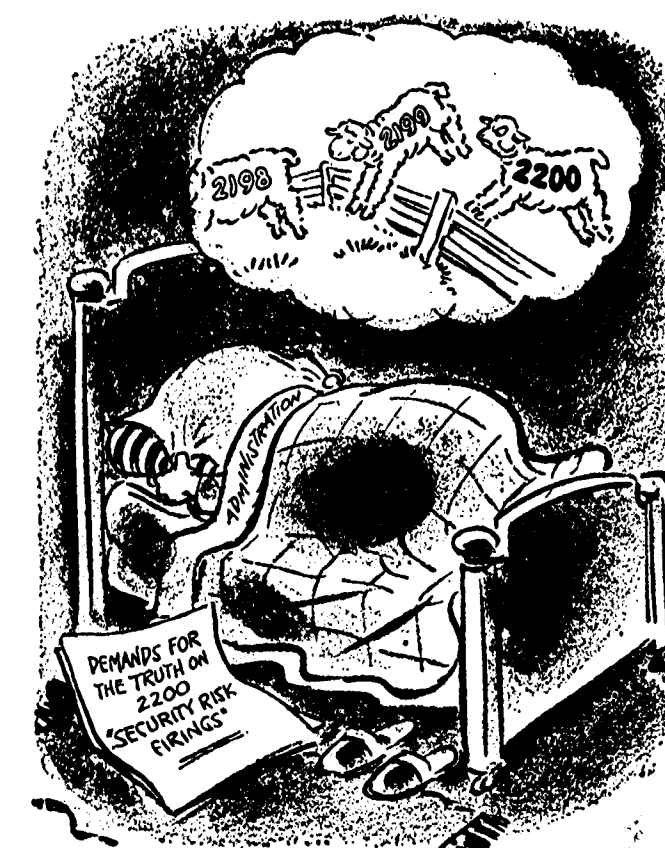
American Notes

The Army Surrenders

THE Army's defiance of Senator McCarthy has proved shortlived. A week ago Mr Stevens, the Secretary of the Army, seemed ready to stand fast when he refused to allow any more of his officers to testify before the Senate investigating committee and perhaps undergo the same humiliations suffered by General Zwicker. General Zwicker, acting under orders, refused to tell the Senator who had been responsible for the promotion and honourable discharge of Dr Peress, a conscripted Army dentist who would not answer questions about his possible Communist affiliations. For this the General was told that he was a "disgrace to his uniform" and the Army was accused of "coddling Communists."

Mr Eisenhower and Mr Wilson, the Secretary of Defence, have kept ostentatiously clear of the dispute, but it is

"Oh, No — Not That Number Again"



Herblock in the *Washington Post*

widely believed that Mr Nixon, the Vice-President, intervened to prevent the scheduled appearance of Mr Stevens before the committee. The terms on which a complete break with Mr McCarthy have been avoided are spoken of as a compromise, but it is the Army which has done the lion's share of the compromising. Senator McCarthy with-

draws, though only by implication, his insinuation that the Army is anxious to protect Communists. But in return the Army has had to agree that once its own investigation of the Peress case is complete, the committee will be able to question any officer it pleases, including General Zwicker, Dr Peress's commanding officer.

Senator McCarthy lost no time in following up the Peress case with that of Mrs Annie Moss, an Army communications clerk who, he says, has been a Communist. The Administration's reluctance to let the Army be dragged through the mud is natural. But it seems to have learned nothing from the history of other compromises with Senator McCarthy, from, for example, the investigations at Fort Monmouth and the surrender of the State Department to the control of Mr Scott McLeod, a friend of the Senator. Mr McCarthy seems well on the way to using the anti-Communist issue to seize a control over all the executive departments which is specifically withheld from Congress by the Constitution.

The issue of Communism is proving a two-edged sword to the Administration, and one which only the completely unscrupulous can wield without cutting themselves. The Administration's own efforts to show how successfully it has cleared the disloyal out of the government have turned into a humiliating nightmare. The figure of 2,200 security risks discharged—which Republican speakers have been only too eager to assume represented the discharge of 2,200 subversives—is now being broken down. Of the first thousand, only 41 seem to have been involved in any sort of disloyalty charge; it was the discretion or the morals, not the patriotism, of the vast majority which were questioned.

Trial by Chairman

THE wild charges against Chief Justice Warren, made public by Senator Langer, chairman of the Senate Judiciary Committee, suggest at first sight a terrifying extension of McCarthyism. But Mr Langer is no McCarthy; his attempts to hold up the confirmation of the Chief Justice, one of the most respected figures in the Republican party, were so absurd that they would have collapsed of themselves without the roars of indignation from Mr Langer's committeemen, from Senator Knowland, from the Vice-President, and from Mr Eisenhower himself.

It is deplorable, certainly, that a chairman of committee should be able to give privileged publicity to the charges of an eccentric who was wanted by the Californian police, and that for the first time a member of the Supreme Court should be investigated by an extremely reluctant Federal Bureau of Investigation. But the Senate, which is used to Mr Langer, and the workings of the seniority system which have brought him a chairmanship, has learned not to take him too seriously. He has not been able to do more than delay Mr Warren's confirmation, which has now been approved by the Judiciary Committee.

If it really was Senator Langer's intention merely to draw attention to the neglect of his native North Dakota in the matter of patronage, as is widely believed in Washington, he has chosen a characteristically odd way to increase his

popularity. The Administration not unnaturally regards with some suspicion a Republican who has not concealed his affection for Mr Truman. In any case, many more orthodox Republicans than Mr Langer feel left out in the cold. The pickings have been slim, partly because the Administration has refused to wreck the civil service system, partly because the number of federal jobs has been declining. More skilful politicians than Senator Langer have been driven to hint, particularly to heads of departments who must weather congressional storms, that their passage will be easier if they throw overboard more Democrats and replace them with Republicans. Mr Benson, the Secretary of Agriculture, is one who cannot afford to turn a deaf ear. It is probably no coincidence that his high-principled but unpopular farm policies are to be administered increasingly by Republicans and that he has discovered an urgent need to secure the "maximum efficiency and loyalty" by making changes in his staff.

Dividends from Income Taxes?

AS a recession appeared at the door of the President's press conference room last week, his balanced budget prepared to fly out of the window; readjustment, the officially approved euphemism for the present economic situation, was already hanging from the sill and seems unlikely to be saved from oblivion. The President's admission that additional tax concessions to consumers would certainly be considered if the economy did not turn upward in March gave official approval to what was already becoming a respectable remedy instead of a Democratic nostrum.

The next day Dr Nourse, who thought Mr Truman went too far and resigned from his Council of Economic Advisers in 1949, criticised the Administration's programme of tax concessions to stimulate industrial activity and employment; he considered that in the present situation measures to maintain consumers' buying power would pay better economic dividends, especially if concentrated on the lower income brackets. Senator George, the Democrats' conservative financial expert, who constantly tried to force a balanced budget on Mr Truman, followed Dr Nourse by proposing that the amount of personal income exempt from tax should be raised from \$600 to \$800 for each individual, increasing to \$1,000 next year.

The Senator's proposal shows how quickly the economic climate is changing. He bid \$100 more than even his liberal colleagues in the House had thought advisable a little while before. Their amendment, for an increase to \$700, has already been turned down in the House Ways and Means Committee, but they intend to bring it up on the floor. There it is likely to be approved unless, and perhaps even if, the Administration puts its foot down. For many Republicans feel that if the House does not act the Senate will, and they see no reason why Senators—or Democrats—should collect all the political dividends which such a tax concession would pay next November.

It is the coming election that explains the sudden popularity of higher individual income tax exemptions as an economic medicine, even though each \$100 increase would cost the government \$2.3 billion a year. For this type of

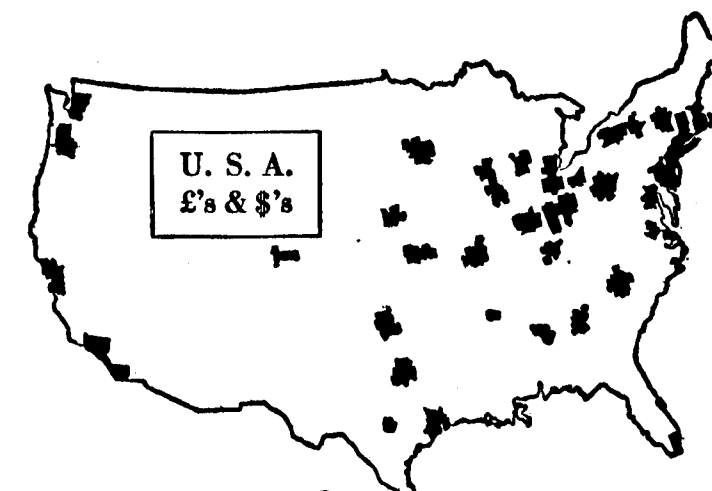


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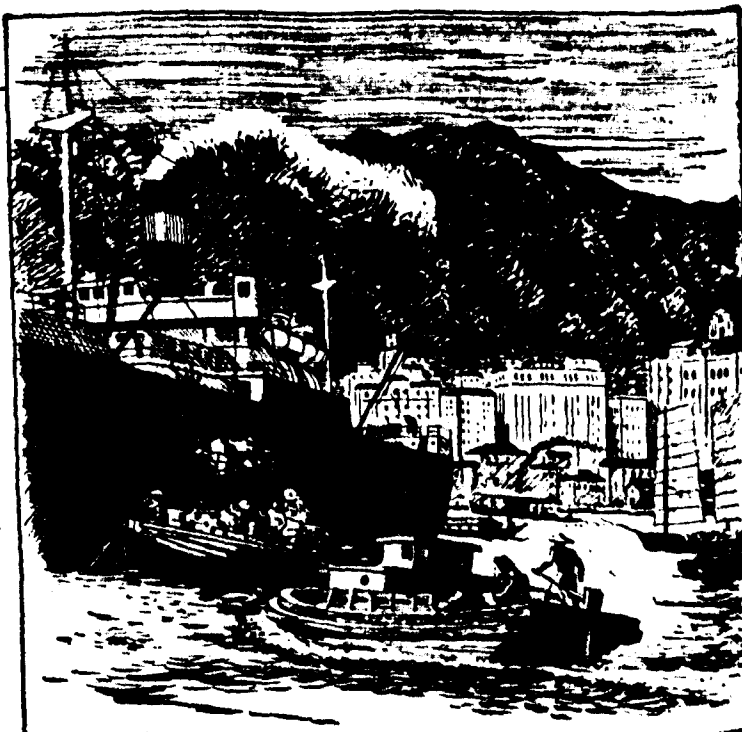
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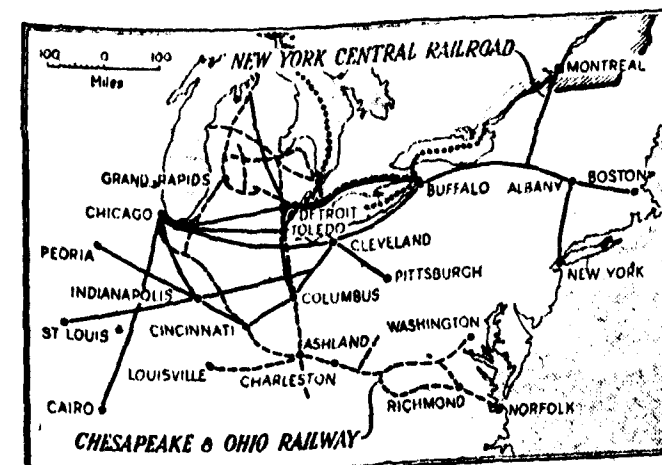
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tax relief would make more voters, especially in the lower income groups where Democrats are usually found, feel that they are better off under the Republicans than would changes in either excise taxes or general income tax rates, which are the other favoured methods of encouraging personal spending by tax reductions.

Rail Road Young

IN a country where railways are often rail roads and battles for their control have survived into the second half of the twentieth century, Mr Robert R. Young's initials suit a financier who specialises in wars on rails. His latest fight is for control of the New York Central Railroad, after the Pennsylvania Rail Road the most important in the country, with well over 10,000 miles of track and yearly revenues of \$800 million. Early this month Mr Young pointed his purchase of a substantial amount of stock at the heads of the Central's directors and demanded not only a seat on the board for one of his colleagues but also the chairmanship for himself. Defied by the directors, Mr Young is now enlisting an army of



small stockholders who, he hopes, will give him enough proxy votes to turn out the present board altogether at the annual meeting at the end of May.

His outspoken recruiting campaign, in which he can be relied on to make imaginative use of all the facilities of modern advertising, is so far following two lines. Both are calculated to appeal to the pensioners, schoolteachers and other "Aunt Janes" who make up the bulk of the 44,000 holders of the railway's 6.5 million outstanding shares, but both come rather oddly from a man whose practical experience of railroading is financial, not operational. Firstly, Mr Young alleges that the New York Central is being run in a selfish way to further the interests of the Wall Street bankers on the board rather than of the shareholders. This is a continuation of his long-standing feud with eastern banking houses, particularly with the Morgan interests, which began when they hampered his first railway undertaking in 1938, and which has also been manifested in another of his battles, to secure competitive bidding for the underwriting of new issues of corporate shares.

Secondly, Mr Young maintains that the railway could be more profitable if it were run more efficiently and that in

particular better service, maintenance and equipment would improve its passenger revenues, at present showing a deficit. This claim is substantiated by the well-publicised improvements he has made in the service offered by the Chesapeake and Ohio Railway (of which he obtained control through the Allegheny holding company in 1937), even though his financial record there is not very satisfactory. Mr Young believes that steady profits and good railway services depend upon consolidation into regional systems, but the Interstate Commerce Commission, the government agency which supervises the railways, insists that competition must be maintained. For this reason, when Mr Young made his first attempt to hold up the New York Central in 1947, with 800,000 shares belonging to the Chesapeake and Ohio Railway, the ICC disarmed him by putting the shares into the trusteeship of the Chase National Bank.

Now, however, Mr Young, withdrawing in order, it is suspected, to leap further, has disposed of his holding in the Chesapeake and Ohio, and handed over the chairmanship to an old associate. He may therefore argue that in May it should be allowed to exercise its New York Central voting rights itself—and presumably in his favour. In the end the outcome of this argument may be more vital than the rival wooing of the Aunt Janes.

Teamsters' Hold-up

THE American Federation of Labour and the Congress of Industrial Organisations were rolling steadily along the road to a united labour organisation until last week the teamsters' union put a spoke in the wheels of their agreement which threatens to upset it altogether. The chassis on which the agreement is built is a no-raiding pact, under which unions belonging to one organisation undertake not to steal members from unions covering similar jobs and belonging to the other organisation. Nearly all the CIO's industrial unions have already signed the pact, but only about 40 of the AFL's 111 craft unions have come in so far. And now the AFL's powerful Brotherhood of Teamsters, the biggest and richest union in the country, with 1,300,000 members and assets worth over \$30 million, has set a bad example by refusing to accept either the no-raiding pact or a plan for settling jurisdictional disputes within the AFL itself. These arise, particularly in the building trades, when two unions claim the right to do a particular kind of work; both plumbers and painters think they should instal bathroom mirrors, and carpenters and machinists argue over who should put bottling machines into breweries.

Mr Dave Beck, the head of the teamsters, says that he would be ready to approve these pacts provided that first he was given back some 50,000 drivers and warehousemen who in his opinion should belong to the teamsters and who have been stolen by other unions. A no-raiding pact, he argues, would "freeze" these workers in the wrong union. He himself, he insists, never conducts raids and is willing, as he has already shown, to negotiate peace agreements with individual unions whenever they wish. Mr Beck, of course, does not admit it, but there is little doubt that his real objection to the no-raiding pact is that it would hold up his empire building, and keep him from colonising the east coast as completely as he has the west.

Since Mr Beck became president of the teamsters' union eighteen months ago he has moved its headquarters to Washington, D.C., from Indianapolis, but there is less scope for him in the long-established and well-organised trade union structure of the east than there was in the rapidly growing and little unionised Pacific Northwest when he began to work there thirty years ago. He will need as many as he can get of the egg breakers, chewing gum workers, car salesmen, vending machine operators and so on whom he collects into the Miscellaneous Division of his union. This unorthodox expansion, and the fishing expeditions which Mr Beck makes into such troubled labour waters as the New York docks, could hardly continue without raids on other unions and jurisdictional disputes.

Dealers' Dilemma

New York

ON February 10th there were 640,000 unsold new cars crowding into automobile dealers' showrooms; the figure, based on factory estimates, is perhaps inflated, but stocks seem to be at record levels. Nevertheless, with the spring buying season approaching, and with all 1953 models disposed of in the majority of cases, most dealers, despite the prospect of lower sales this year, feel happier than they have for some months. Last year the dealers complained that the manufacturers were forcing them to accept more cars than they could sell at a profit. If the present curtailment of production in many automobile plants is evidence that the manufacturers have been taking a new look at the market, another "inventory squeeze" of dealers' profit margins may be avoided.

All automobile dealers in the United States operate under a direct franchise from one or other of the seven automobile manufacturers. In practice, if not in theory, this is an exclusive right—a right to be the only dealer in that make of car within a specified area—but it has not been found possible to keep out dealers from other districts. What does cause resentment, however, are "bootleg" sales when dealers sell new cars at cut prices to second-hand dealers in another territory.

The form of the dealer's agreement varies from company to company, but all contracts can be terminated at short notice by either party. To obtain a franchise, the dealer has to convince the company of his integrity, financial strength, sales ability and repair facilities. He may lose the franchise at any time, if for example he persistently fails to sell his quota of cars and the company thinks it could do better by replacing him. Such action, however, is normally taken only as a last resort.

Although the dealer's agreement with the company does not specifically preclude him from selling competitors' models, in practice, with few exceptions, he can obtain a franchise from one manufacturer only. The exceptions are franchises to sell imported European cars. There are also still a few large dealers holding franchises from more than one company, but selling each make in a different territory. Of 43,000 enfranchised dealers in the United States, less than 7,000 handle two or more makes of car, and these are virtually all "within the family." Thus in the Chrysler family, a Plymouth dealer may also handle Dodges, DeSotos and Chryslers. The system of effectively exclusive dealerships undoubtedly handicaps the smaller manufacturers,

who cannot always guarantee their dealers a turnover sufficient to cover, unaided, their overhead expenses.

The manufacturers do not set the prices of their new models, but "suggest" list prices to the dealer, and pay him a commission varying from 20 to 30 per cent of the list price on each car sold. The dealer has, however, complete freedom to vary, with each transaction, the actual selling price to the customer, either by granting him a discount from the list price or by the more usual practice of adjusting the allowance granted on the old car the customer trades in. The dealer's profit can, therefore, only be computed by considering the two transactions together.

SHORTER NOTES

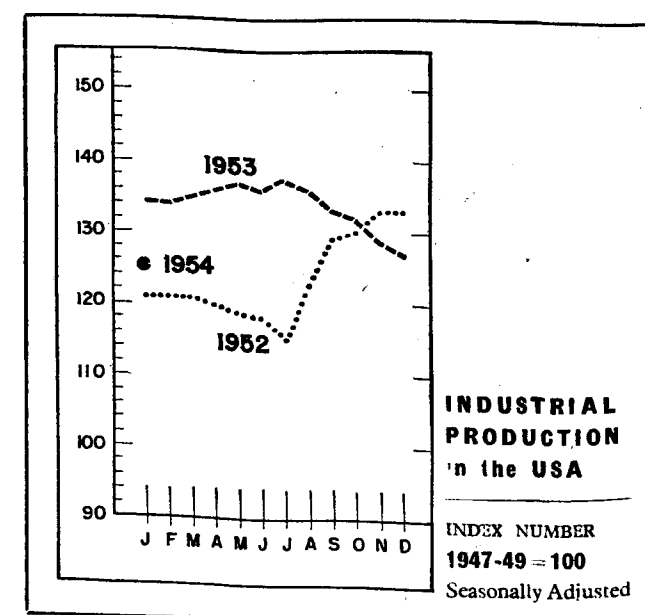
Dr Clarence Manion, the head of a government commission to redraw the proper frontiers between state and federal functions, has been spending so much time making speeches in favour of the Bricker Amendment, which the President wholeheartedly opposes, that he has had little left for his proper functions. He had to ask for a postponement of the date on which his commission was due to report, and the President replied, not unexpectedly, by asking him to resign.

★

The Senate confirmed Mr Albert Beeson as a member of the National Labour Relations Board, but by the smallest majority—only three votes—that has been given to any of the President's appointees. Doubts had arisen about whether he had completely severed his connections with his former employees and about whether he was sufficiently impartial to sit on a semi-judicial board.

★

The new figure of three million unemployed in January with which the Census Bureau ruffled the economic waters last week, is the result of a new sampling method that is still only being tested. The new count, like the old, which had found only 2,400,000 unemployed in the test week, covers 25,000 households, but they are much more widely distributed.



The World Overseas

Internal Order in Burma

FROM A CORRESPONDENT

THE internal situation in Burma today is better than many observers would have thought possible three years ago. It remains, nevertheless, full of difficulty, and in certain respects there is even the threat of a fresh deterioration. The government in Rangoon, in its efforts to impose a unified and orderly administration on the whole of Burma, is confronted by no fewer than four distinct forces of domestic armed rebels, with the refugee anti-Communist guerrillas from China as a fifth hostile element. The internal forces of disorder are the Karen separatists, Communists of two different factions, and ex-mutineers of the former People's Volunteer Organisation (PVO). This diversity of opposition is up to a point an advantage for the government, as there is no unity of rebel purpose or command; on the other hand, the total of disaffection is dangerously large for a new state striving for political and economic stability.

The government's greatest success so far has been achieved against the Karens, whose forces have now dwindled to a small hard core of extremists operating in the Salween jungles. The government army struck a crippling blow at their supply position by the recapture in November of the Mawchi wolfram mines, the products of which, traded by Kuomintang Chinese through Siam, had kept them in funds. Last month the second in importance of the Karen leaders, Saw Kyaw Lay, surrendered with a number of his followers, and Saw Po Htoon is now left as the only notable leader who is in a position to carry on the armed struggle.

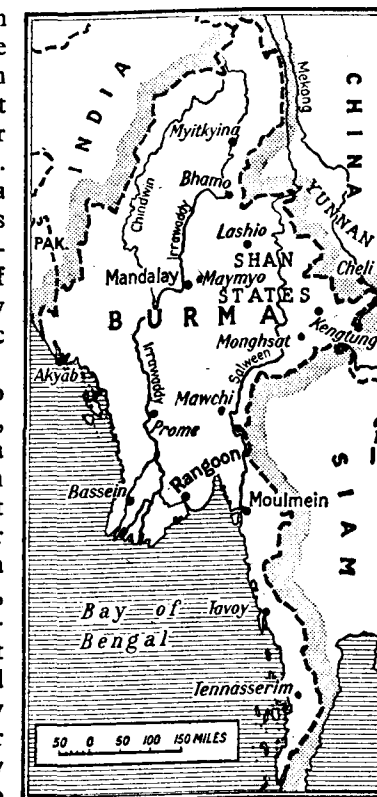
This is clearly the moment for the government to rally the moderate Karen nationalists by the concessions, such as special schools, which they claim. But military success seems to have caused the Burmese to harden their hearts; it is officially declared in Rangoon that "the time for negotiation is past," and the Karen moderate leader, Mrs Ba Maung Chain, who was taken into the government as Minister for Karen Affairs, has resigned in protest. The official attitude has its dangers for the future, for even if the rebellion now collapses, Karen discontent may again

become a serious factor if Burma is faced with a new challenge to its integrity. Recently, moreover, there has been a tendency for the Mons, a relatively small ethnic minority living mainly in the Moulmein area, to make common cause with the Karens and the government has outlawed the Mon National Defence Organisation, along with the corresponding Karen body—the KNDO.

The Karen rebels have made temporary pacts for co-operation against the government forces both with the Burmese Communists and with the anti-Communist KMT (Kuomintang) Chinese guerrillas. Since they were driven out of central Burma, their contacts have been closer with the latter than with the former. Unlike the other armed bands at large in Burma, the KMT forces have become an international problem, since the Burmese have been unable to intern them, and their presence in Burma affords a standing provocation and pretext for the Chinese Communists to follow them on to Burmese territory. After long negotiations the Nationalist Government in Formosa agreed to evacuate them to Formosa via Siam, but only 2,000 have actually gone, and some 10,000 remain, stubbornly refusing to move from the territory they occupy. Although the Burmese believe that the Chinese Nationalist government is deliberately encouraging them to stay, it would probably be difficult in any case to remove them except by force, as they are Yunnanese provincials with no interest in the wider issues of the Chinese civil war; they have no desire to be transported to

Formosa, where they would be among "foreigners." In the Shan states, where the Yunnanese have always carried on trade, they feel quite at home, and those who have not prospered there have been going south to Tenasserim where they trade surplus arms to the Mons in exchange for rice. The KMT guerrillas get aid from their supporters among the Chinese in Siam, and they have an airstrip at Monghsat for communicating with the outer world.

Both the Karens and the KMT have their strongholds in the eastern borderlands of Burma near the Siamese



frontier. The Burmese Communists and PVO bands, on the other hand, are active mainly in central Burma, where they collect the taxes in certain rural areas, and do their best to interfere with communications; thus, in November they blew up the Mandalay-Maymyo train, killing or wounding over fifty passengers. The Communists also have units in the Irrawaddy delta region, but the government has been successful in preventing their close approach to Rangoon, and recently captured their headquarters in Bassein with an arms dump and printing press. The Communists have never yet been able to muster a military force strong enough for a pitched battle with the government army; on the other hand, they are widespread, mobile and elusive. In the endeavour to suppress them the government is hampered by the lack of a reliable police force for rural use; it has been much more successful in training an army (with British assistance) than in restoring the prewar police organisation. Another adverse factor is the political pressure of the Burma Workers' and Peasants' Party, which denies that it is Communist and forms a legal opposition, but is certainly infiltrated by the Communists, so that the latter can operate violently and peacefully at the same time.

So far no Chinese Communist troops have entered Burma, nor is there any evidence of arms being sent to the Burmese Communists. On the other hand, it is reported that a number of Burmese Communists have been sent to China for military training and indoctrination, and Ba Thein Tin, the Communist leader in the Bhamo area, recently went there, ostensibly for medical treatment. Aid to the Burmese Communists, however, is not the only way in which China can take advantage of disorder in Burma. An Autonomous Thai State has been set up in Yunnan with its centre at Cheli, and an Autonomous Kachin State is said to be in preparation. These may be used to stir up trouble among the Shans (who are Thais, Siam being only a variant of the name Shan) and Kachins in Burma. There has not so far been any trouble among the Shans, but the Kachins, who have always been very difficult to handle, have been restive of late. They have a leader, New Sang, who is reported to be intriguing with the Chinese. The Kachins live on both sides of the frontier in high mountain country, and the frontier itself is undemarcated. There is plenty of opportunity for mischief here if Peking's thoughts should ever turn in this direction.

Japan and Its British Markets

FROM OUR TOKYO CORRESPONDENT

IT is both significant and regrettable that there has been little open or public reaction in Japan to the strong British criticism of the Anglo-Japanese trade agreement. Just as Sherlock Holmes's attention was aroused by the "curious incident of the dog in the night-time" ("The dog did nothing," said Inspector Gregory. "That was the curious incident," remarked Sherlock Holmes) so also the observer in Tokyo must be impressed by the curious lack of Japanese interest in the vigorous, if sectional, denunciation of a vital trade agreement, designed to restore and increase the nation's dwindling sterling reserves and to boost its languishing and over-priced export trade.

The *Asahi*, Japan's leading newspaper, described the British objections as "unexpectedly strong," but pointed

out that they had been raised "by the cotton and china-ware industries, and not by the British people." The paper conceded that there was evidence of British "distrust of Japan" and "fear of unfair Japanese business practices," but argued, without specific detail, that Japan had counter grievances against Britain and should also draw attention to Britain's "defects and insincerities" in the interest of friendlier understanding. There were no political or government references to the Labour Party's challenge to the agreement in the Commons, and the industrialists, preoccupied with union demands for higher wages, the difficulties of cost-cutting and the prospects of a dollar-backed rearmament boom, also officially ignored the criticism.

This studied, apathetic or fatalistic indifference emphasises the mood of stubborn unrealism pervading 1954 Japan, bedevilled and distracted but numbed and bemused by the fundamental weaknesses of the national economy. The sterling agreement itself was definitely more newsworthy in Lancashire than in Japan. Few Japanese manufacturers and exporters can yet properly estimate the potential benefits of the agreement. The harassed government planners of the Ministry of International Trade and Industry, and the textile and pottery industries, which alone can hope to compete immediately with British-priced products, were the only interests to be palpably interested.

Useful Instincts Misaid

The aims—ideal and practicable—of Prime Minister Yoshida's new "super-balanced" budget have yet to be appraised. The budget's belated austerity measures are hopefully designed to cut prices by from five to ten per cent. But leaders of the influential Federation of Economic Organisations (*Keidanren*) believe privately that prices must be slashed by at least 25 per cent before trade can be balanced. And even the modest Yoshida policy must run into violent labour opposition. Key industrialists and conservative politicians are reconciled to a tough showdown with the unions as an essential approach to "a purification of the national economy."

The Japanese people are clearly not prepared for this "purification." The national will to recovery has been sapped by the unnatural effects of dollar aid and Korean war profits. Since defeat, the Japanese have been helped so much that they have forgotten or mislaid the instincts of self-help and enterprise which were once the nation's strongest characteristics. An old Japanese proverb warns: "If you carry a man too long, he loses the power to walk." This is now Japan's greatest disability. Nor is it yet evident how bold, drastic and decisive the government will be in stripping away the clutter of subsidies, props and excessive loans, which both confuse and weaken the existing costing structure of Japanese industry and conceal the vital need for modernising equipment and streamlining techniques.

All this preliminary and fundamental groundwork must be completed, regardless of the resurgence of the armaments and heavy industries and of the politico-commercial coquetting of Communist China, before the Anglo-Japanese sterling agreement, or any other trade pact, can be more than a temporary palliative or a muffled opportunity. Until then, the Japanese people, still largely unaware of any real crisis, will not feel the urge to throw their hats in the air over a conditional trade agreement, nor will the Japanese leaders search their souls in the face of foreign criticism of any such agreement.

However, when that groundwork has at last been accomplished, Lancashire will certainly have real cause to line the walls and stiffen the defences. Meanwhile, the government experts in the Ministry of International Trade and Industry, who have nothing to say now, but who properly appreciate the opportunities and responsibilities of the sterling agreement, are at present unquestionably resolved to resist any covert attempts by irresponsible exporters to revert to the old practices which besmirched Japan's prewar trading name. If they meet with a reasonable understanding of Japan's desperate difficulties and needs, their resolution will not necessarily falter in the future.

Splits Around Strauss

Ex Unitate Vires

IT is an ironic twist that a motto which extols the virtue of unity should belong to one of the most divided countries in the world, South Africa. Scarcely less odd is the fact that a party calling itself the United Party is in reality split from top to bottom by internal disputes. Seven of its former disciples now sit as a splinter group on the same opposition benches as their former colleagues, but separated from them by an invisible *apartheid* wall. They call themselves the "Independent United Party group." Furthermore, reports received from Capetown this week suggest that a fundamental split has occurred between the so-called liberal and conservative wings of the party.

A distinction is drawn in South Africa between a "liberal," meaning a person who opposes Malan to the last, and a "liberalist," who is by contrast a dangerous fellow who wants to advance the economic and political status of the Africans. There are both "liberals" and "liberalists" in the United Party, but there are also a substantial number of "non-liberals." These, though opponents of Malan, are not prepared to go to war with him on questions of colour (for fear of being called "liberalists"). The break in the United Party is between the "liberals" and the "non-liberals"; the "liberalists" are too few to matter.

A lot of fuss is being made in United Party circles about a speech on native policy made by the party leader, Mr Strauss, on February 18th. While it is true that he was much bolder than before in admitting the integration of the races as an irreversible fact, what he proposed was a small thing. The party will set up committees to study various aspects of the colour problem and report back to a national congress. Ultimately, a new policy will be worked out. But Mr Strauss spoilt his forward-looking policy by indicating that the party is not happy about the 1936 Act, by which Africans acquired limited, indirect, representation in parliament. This is not the only disturbing feature of recent United Party actions. One of their leading figures, Mr Harry Oppenheimer, made a speech a few weeks ago which to Nationalist ears was definitely temporising in tone. Moreover, the United Africa Trust Fund, which played a significant role in financing the United Party at the last election, has announced that it will no longer extend its financial support. The party has a long way to go yet before it hits on a united policy; by that time its numbers may have shrunk.

China's Agriculture—1

Slow Boat to Collectivisation

ONE thousand nine hundred and fifty-three was the first year of long-term planning in China. Intoxicated by the age-long dream of industrialisation, Chinese propaganda dwelled chiefly on future steel mills, modern factories and power stations. Agriculture seldom came into the official picture, though it was admitted that because of natural calamities production showed no progress compared with the previous year. But a regime which rose to power on peasants' backs and rules a country, where well over 400 million people live in the countryside, cannot manage for long without an agricultural policy. Thus last month the Chinese Communist Party finally issued a decree mapping the Chinese peasants' path for the future.

The road, as might be expected, should lead to collectivisation, but this does not mean that China is now on the eve of a bloody upheaval on the Soviet model. Parallels between the two revolutions are fruitful as long as they do not overlook radical differences in the respective backgrounds. The established and officially accepted Communist pattern for the countryside leads through land reform to collectivisation and ultimately to the "bridging of the gap between town and country." The crucial question, however, is at what pace should one travel along this path. In the Soviet Union there was a long pause after the initial land reform, but once planned industrialisation had begun in earnest it was accompanied by a ruthless collectivisation drive and at the end of the first five-year plan peasant opposition to collective farming was broken.

In China some sort of loose co-operation has been fostered from the very beginning, but by 1957—that is, at the close of the first five-year plan—only one-fifth of the Chinese peasantry is to be incorporated in the so-called "producer co-operatives." And these co-operatives, in which members are paid a rent for their land, cannot be likened to the closely integrated Soviet *kolkhozy*.

Mutual Aid First

To judge by actual performance and the new programme, collectivisation will be a long-drawn out process in China. Mao Tse-tung, the peasant leader carrying out an industrial revolution, knows well what risks would be involved in a forcible collectivisation. Ten years ago he advocated a gradual introduction of socialism into the countryside with the progressive spreading of loose forms of mutual aid as the vital first step in the right direction. Official policy-makers are apparently to follow the same road, at a slightly faster pace, for some time to come.

Out of roughly 110 million rural households nearly 48 million are already involved in some sort of mutual aid. On the other hand, state and collective farms are still so few that they play no role in the economy, even as an example. The loose "mutual aid" associations are still the almost exclusive form of co-operation in the countryside. The temporary mutual aid teams are most widespread throughout the country. Peasants from a dozen farms work together during the sowing and harvesting seasons pooling their scarce equipment and cattle. In the northern regions, which have been under Communist rule for a longer period, many of these associations have been linked together on a

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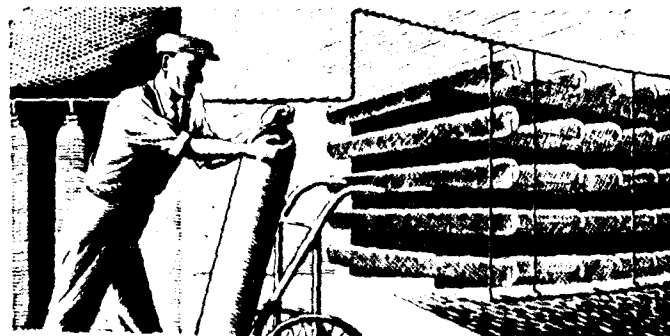
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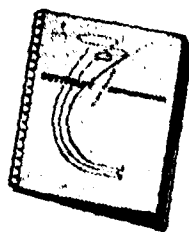
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permanent basis. In such cases there is more division of labour; the produce is sold together; while some tools and stock are bought and owned collectively.

Producer co-operatives form the next stage of development. They are somewhat larger and the land, though privately owned, is managed and exploited in common. All resources are pooled together, but members are paid according to their share of both labour and land. Thus in the co-operative of Chu An di, including 18 households and 76 people, out of the total revenue 52 per cent was paid out as wages, 40 per cent as rent, and the rest was used for "the productive and cultural needs of the community." Producer co-operatives are also more common in the northern territories, particularly in Manchuria. But at the end of last year there were only about 14,000 such co-operatives averaging less than twenty households each.

The way ahead is quite simple. In the next few years the mutual aid is to be spread to almost all the farms in the land and the proportion of all-year round associations is to be raised. Producer co-operatives are to be fostered and the share of rent in their accounts gradually reduced and thus paving the way for collective farms. But, at least on paper, everything is to be carried out without haste. By the autumn harvest this year there should be less than 40,000 producer co-operatives and the target for 1957 is only 800,000, leaving four-fifths of the peasant population outside their orbit. There has been some coercion in the past and, though the "culprits" were officially reprimanded last year, there is likely to be some more in the future. Unless the government suddenly decides to speed up the tempo, however, the present programme could be carried out without any major peasant revolt.

Why should Mao be spared the calamities which followed Stalin's attack on the country? Stalin's inhuman determination and Mao's peasant caution cannot account for the difference altogether. Both countries needed more industrial labour and agricultural surpluses to feed it. China, however, can rely partly on Soviet assistance in its industrialisation drive. Its industry is not yet ready to train and absorb all the excess labour available in the country. Above all, China is a country where land is very scarce and must therefore be cultivated very intensively. Hence, large-scale collective farming by itself provides no solution even in the eyes of a Communist planner.

(To be concluded)

If Signor Scelba Falls

FROM OUR ROME CORRESPONDENT

IN presenting his Cabinet to Parliament, the new Italian Prime Minister, Signor Scelba, claimed to be speaking not only for the three parties in his government, but for the nation. By this he probably implied that he also represented sections of the Monarchists and the Nenni fellow-travelling Socialists. Democrats everywhere would like to share his belief. But the parliamentary debate has shown that his coalition cannot rely on outside support and is not itself very strongly cemented. No one takes the small centre parties seriously; and they themselves know that their post-war decline would be completed at the next elections. The other constituent of the coalition, the

Christian Democrat party, is becoming more and more enveloped in a cloud of scandal and accusations of corruption. Thus the present efforts to revive the centre coalition are being compared to the reanimation of a corpse. Signor Pella, on the other hand, has attained a great measure of popularity. His decision to resign in January on an issue of principle startled Italians by its novelty.

Signor De Gasperi, who is the power behind the throne in the new government, has declared that if, as is thought to be inevitable sooner or later, Signor Scelba falls, there is no alternative to new elections. This view is not generally accepted, even by all the Christian Democrats. The right wing of the party wants Signor Pella back. And it is possible that his chances of a come back have been improved by reaching an understanding with the leader of the left-wing, Signor Gronchi. This union of the two extremes is not so far fetched as it might seem at first blush. At the elections of the Christian Democrat parliamentary group in January, there was a head-on collision between Gronchi and Fanfani, De Gasperi's ally of the centre. Signor Gronchi then led his group to the polls in a common front with the Pella supporters and almost unseated the centre candidates.

The present Prime Minister, moreover, is associated with a tough policy towards the Communists; and police action, especially in a Sicilian village where three women and a boy were trampled to death when a crowd panicked, has given the Communists an excellent opportunity to play the martyrs. Signor Pella believed in being firm without violence, while Signor Gronchi, though a Christian Democrat, has the sympathy of the extreme Left. The two men might therefore find common ground in a policy which would avoid new elections but at the same time keep the Left out of the government.

This is not just a matter of an internal party squabble. For, if Signor Scelba falls and new elections are held, Italy is almost certain to be reduced to impotence. Only a Pella government has some chance of forming a stable administration and avoiding this pitfall. Indeed, looking back over the sorry story of Italian politics since the June elections, observers tend to agree more and more that Signor Pella's resignation in January was a disaster, and that it, in its turn, was due to the western powers' decision first, to offer, then to withhold, Zone A of Trieste. Had the issue of the Free Territory been settled, there would have been no question of Signor De Gasperi unleashing, involuntarily but inevitably, the government crisis.

Malaya Welcomes the Report

FROM OUR CORRESPONDENT IN MALAYA

REACTION in Malaya to the recently published Report of the Committee appointed to examine the question of elections has been surprisingly small. It might have been supposed that when the first summary leaked out the heavens would fall. Instead there has not been anything at all in the nature of a popular outburst, even in the local press, against the proposed delay in bringing about full self-government.

The fact is that if the real attitude of all the people living in the Federation of Malaya could be obtained—and always supposing that they could be given to understand the full

implications of the Report—there would be an overwhelming vote in favour of the moderation of its tone. In practice it would be virtually impossible to obtain such an expression of opinion, since most of the population neither understands what self-government would mean nor is particularly interested to find out. But individual comment, such as there is, has by no means been all one way, and some leading personalities have noticeably abstained from making any observations at all.

Protests have naturally come, on the other hand, from the more vocal political parties. In particular Umno (the United Malays National Organisation) and the MCA (the Malayan Chinese Association) have threatened to withdraw from the Legislative Council unless elections are held this year. They have also gone on record with the view that an elected majority is essential; it would have been strange, however, if they had not. There is, too, a report that the Pan Malayan Labour Party and the Malayan Indian Congress may combine to oppose the Report. Nevertheless, none of these protests has received much space in the press.

In the eyes of moderates of all races in Malaya, the Report has come as a refreshing breeze out of the clouds of hot air that have been enveloping the country for the past few months. It is felt that it presents a solution which has every chance of proving workable. Thus, if the majority view expressed in the Report is carried out, it will be nearly two years before any substantial change is made in the existing government structure of Malaya, and six years before further steps are undertaken.

As to the probable date of elections, it would be impossible to cover the ground as it should be covered, in time to hold the elections for the Federal Legislative Council this year. The delineation of constituencies is a major problem in itself. Although the proposed scheme is based on the British model, conditions in Malaya are not only naturally quite different, but will have to be assessed in great detail from scratch. Undue haste might ruin the prospects for the whole plan, and most responsible Asians know it.

It may be that the discontented elements are keeping their powder dry for later efforts, but at present the Report appears to stand a very good chance of being accepted by all the authorities which matter, without much amendment. One effect of this will be to steady opinion in and about Malaya. Anything that aggravates the natural hesitation to invest in the country could have dangerous effects in the future. As things stand, one of the Report's most immediate achievements should be to help to restore confidence and to encourage the flow of capital into new enterprise.

Trade With Yugoslavia

BY A CORRESPONDENT

ANGLO-JUGOSLAV trade talks began in London this week with the object of settling the annual goods list under the five-year trade agreement signed in 1949. They are taking place at an auspicious moment, for the prospects of trade between the two countries are now more promising than at any time since the war. In the first place the British are anxious to see Yugoslavia achieve viability as soon as possible so that they will no longer have to provide economic aid; for the current financial year (June, 1953,

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to June, 1954) this stands at £3 million—£1½ million less than in the previous year.

In the second place, the Yugoslavs have at last seen the writing on the wall and realised that external aid cannot go on for ever. Finally, in the past three years, they have developed their economy so successfully that they now have a much wider range of good quality exports in addition to the valuable raw materials—timber, non-ferrous metals, etc.—which were their former standby. Although now exporting to many more countries than ever before they are still anxious to build up their market in Britain; they need the traditional British exports and are likely to do so for a long time to come.

In 1953 trade between Britain and Yugoslavia amounted to over £8 million each way; the British export figure includes shipments under the aid programme. More than three quarters of the British exports were manufactured goods—particularly heavy machinery. Nearly three-quarters of the Yugoslav exports were raw materials of which timber, which accounted for over 50 per cent of the total, was the largest item. More than one hundred different kinds of goods were imported into Britain from Yugoslavia last year and the variety is expected to be even greater in 1954.

Maize Shipments Resumed

The Yugoslavs would like most of all to increase their exports of food products. Before the war their most valuable food export to Britain was grain—both maize and wheat. Since the war Yugoslavia no longer exports wheat (it now imports an average of 100,000 tons per annum) and it only exports maize in a good harvest year. After the drought of 1952 it could not export maize in 1953 until after the harvest; but as the 1953 harvest was one of the best since 1945, maize shipments to Britain were resumed in December and 9,000 tons have already been shipped. Since however Yugoslavia cannot count on maintaining its grain exports it is anxious to diversify its agricultural production for the export market as much as possible, particularly canned meats and meat products, dairy produce and fruit of all kinds.

One of the most successful experiments of 1953 was the export of fresh fruit to Britain. The fruit seasons in many parts of Yugoslavia are much earlier than in this country, crops are usually abundant, production costs fairly low and fresh fruit can be transported to Britain by refrigeration, rail-van in five days. The possibility of using one-day air transport is also being considered. Apricots, peaches, nectarines, cherries, grapes, plums and melons were amongst the fruits exported last year. The Yugoslavs would also like to develop their trade in poultry.

Exporters from both countries still have a few grouses. The Yugoslavs complain of British slowness in producing the goods and failure to keep delivery dates. The British complain that they cannot get firm and quick decisions out of Yugoslav government departments. They also grumble at the uneven quality of some Yugoslav products and occasionally at their primitive packaging and even at their unsuitability for the British market—for example, prunes that taste of smoke because they are smoke, not sun-dried, and bacon that is extremely fat because the Yugoslavs prefer it that way. Yugoslav exporters are now taking steps to adapt their products to the British market and in any case, if trade between the two countries continues to develop, a tradition of trading will be slowly built up which will itself help to eliminate difficulties and misunderstanding.

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NOTES FROM CANADA

These Notes are contributed by our correspondent in Ottawa.

Shake-out Suspected

UNEMPLOYMENT has been causing alarm to the labour unions and uneasiness to politicians. While the figures are a matter of dispute, the people interested in presenting a serious picture (union leaders and opposition politicians) point to more than half a million unplaced applicants for jobs at the labour exchanges. The Government, and most economists, point to the Labour Force Survey figures, based on the sampling technique, which gives a total of only 280,000 seeking work and without jobs. But even the Labour Force Survey shows fewer people working full-time out of a larger labour force. And the labour force itself has grown less than the population in the last year.

There are unquestionably a good many people suffering from a slackness in certain manufacturing industries—with textiles and farm implements as the worst cases. This has added to the inevitable seasonal increase in unemployment resulting from Canada's hard winters. And it has attracted more attention, perhaps, than it deserves, because of all the talk about a possible recession in the United States.

The probability is that it is a strictly temporary phenomenon, a shake-out after years of almost uninterrupted expansion, which by the spring will have passed like a bad dream. This is the view the Government is taking. The Finance Minister, Mr Abbott, says flatly that he expects 1954 to be another good year for the Canadian economy. While the export picture is mixed, there have been some cheerful signs lately such as a further list of open general licences for imports into the West Indian colonies. Government spending at all levels will match last year's, and private business expects to spend even more than last year's high rate of capital investment. Private incomes are high, supported by a good backlog of savings. If the present drop in employment represents a recession, then it is a mild one.

Russians Dangle Trade Offers

AN unexpected, and possibly accidental, accompaniment of the recent parliamentary debate on unemployment came from the Soviet Embassy. On the opening day of the debate the new Soviet Ambassador, Mr Dmitri Chuchavin, summoned a rather haphazard collection of newspaper correspondents to his Embassy for the first press conference to be held by the Russians since Mr Gouzenko's defection eight years ago. His object was to announce the Soviet desire to expand trade with Canada. He said a Soviet Commercial Counsellor would arrive very soon, that the Embassy already had a number of letters from Canadian firms asking about trade prospects, and that Russians would gladly buy a number of surplus Canadian goods.

Mr Chuchavin's first suggestion for the purchasing list did not precisely follow the pattern of Canadian unemployment. They included meat, butter, machinery (such as turbo-generators), and ships. The main items he had to offer were manganese, chrome and petroleum products. But in response to questions he showed great alacrity in admit-

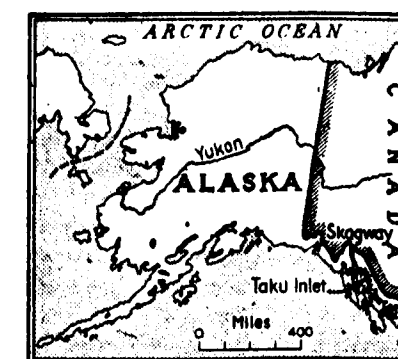
ting as possible purchases wheat, textiles and almost anything else that Canada might want to sell. The fact that Canadian ships cost as much as 40 per cent more than current European prices did not seem to worry him. Nor did he insist on transactions by barter. "We," he said, "are not short of dollars."

There never has been any significant volume of Canadian-Soviet trade, and it seems unlikely that there will be much now. But some individual transactions may be arranged. As a factor in providing employment and thereby bolstering sympathy for the Soviet Union they are unlikely to be significant.

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Exploiting Water Resources

THE shortage of waterpower in the United States, and particularly in the Pacific Northwest States, is arousing Canadians to a new awareness of the resources they are sitting on. The first to arouse controversy between competing Canadian and American interests is the potential of some 5 million horsepower which could be tapped by turning back the headwaters of the Yukon River into the Pacific Ocean.



One project, which is being pressed by the Aluminium Company of America, is to divert them through the coastal mountains—under the famous Klondike Trail of 1898—to Skagway, the little port in the Alaskan Panhandle. The other, sponsored by the Canadian

Frobisher Mining group with powerful American firms in association, is to develop the power in Canada for a huge smelting operation. Frobisher controls large reserves of ores in the East Indies which are among those which it wants to ship in for smelting by its own new electrical processes. It has found one place, Taku Inlet, where its plant could be built on Canadian soil and deepsea ships could get access through the Panhandle to within about 12 miles of the Alaska-Canada boundary. This Alaskan Panhandle, given to the United States in 1903 by Lord Alverstone, then Chief Justice of England, has never before presented such a tiresome obstacle to Canadian development.

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Immigration Prospects

CANADA'S future level of immigration will probably depend on how employment keeps up this year. Before Christmas the Cabinet approved a figure for 1954 to match 1953's intake of 168,000 people. This was before the present unemployment had become so obvious, but when there were already storm signals; and the 1953 rate was set by the Cabinet as a minimum. This decision was no doubt based on the very full employment—some people would say over-full—which has marked all the recent summers. But if any general labour surplus were to develop this summer

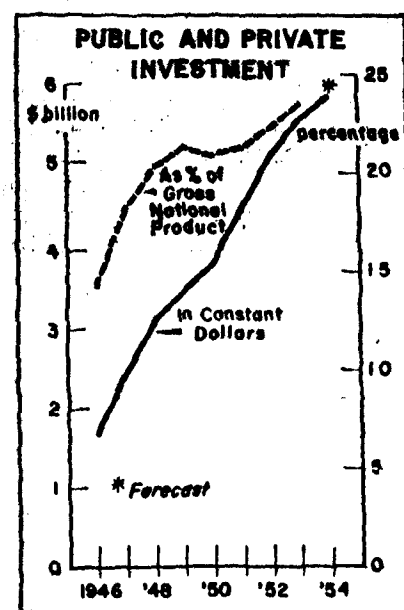
it would be more difficult to hold to the relatively liberal immigration policy of recent years.

Immigration is already selective both by race and occupation. The theory is to maintain as far as possible Canada's racial balance, in which people of British origin account for just under half the population. It has not been possible to maintain this proportion of British immigrants, but last year came nearer than some others, with 47,000 people out of a total of 168,000, arriving from Britain and Ireland. Occupations are varied from time to time according to the employment situation, and the approved list is strictly enforced on would-be immigrants from Europe. There is no formal restriction on British people, but the advice given them by the Canadian authorities follows the variations of the occupation list. French people are also free from restriction, but the newcomers from France are a tiny trickle. The French-speaking sections of Canada keep up their one-third proportion of the total population through the unanswerable dynamics of the cradle.

* * *

British Investments Creep Up

IT is a pity that no up-to-date statistics are available on the flow of British investment money to Canada. Conflicting reports of the scale of the inflow in 1953 cannot be checked. The most that it seems entirely safe to say is that apparently more British investment was made here last year than in any previous postwar year, but that it is still a relatively small item compared with the inflow from the United States. The freer British hold on dollar investments has shown up in security transactions, but more particularly in the increased number of new branch plants and subsidiaries being established. One of the most notable features of recent years has been the switch in British interest from portfolio holdings, including government and railway bonds, into direct investment in British controlled enterprises.



has been providing about 90 per cent of this new direct investment, but in the second half of 1953 it looked as though the British share was creeping up. Neither for the United States nor for Britain, however, does the net inflow provide an adequate yardstick for the growth of their Canadian assets. Probably at least half the new investment in enterprises controlled outside Canada comes from re-invested earnings, and it takes time to compute their scale.

Queen Elizabeth Islands

THE northernmost group of Canada's Arctic islands has been named "Queen Elizabeth Islands," and Her Majesty may feel that the old custom of naming polar regions after the Sovereign has never meant quite as much as it does now. The Queen Elizabeth Islands now support four white settlements, the white men moving into territory from which the Eskimos have evacuated southwards. They are the joint Canada-United States weather stations, whose principal base is at Resolute Bay on Cornwallis Island. This summer the Canadian Department of Transport is taking over the annual sea supply of the islands which before was carried out by the US Navy.

All these moves are symptoms of the more active and enthusiastic attention given by Canada to the North. The



department responsible for administering the northern territories under the Federal Government has just been renamed the Department of Northern Affairs and National Resources, and more vigorous steps are being taken both to assert Canadian sovereignty in

regions which are of increasing interest to the US Air Force, and to develop the education of the Eskimo along lines more like those followed in Greenland. A territory where the Royal Canadian Mounted Police and the Hudson's Bay Company traders, with a few missionaries, have been the chief symbols of Canadian rule is gradually being infiltrated by more of the agencies of civilisation.

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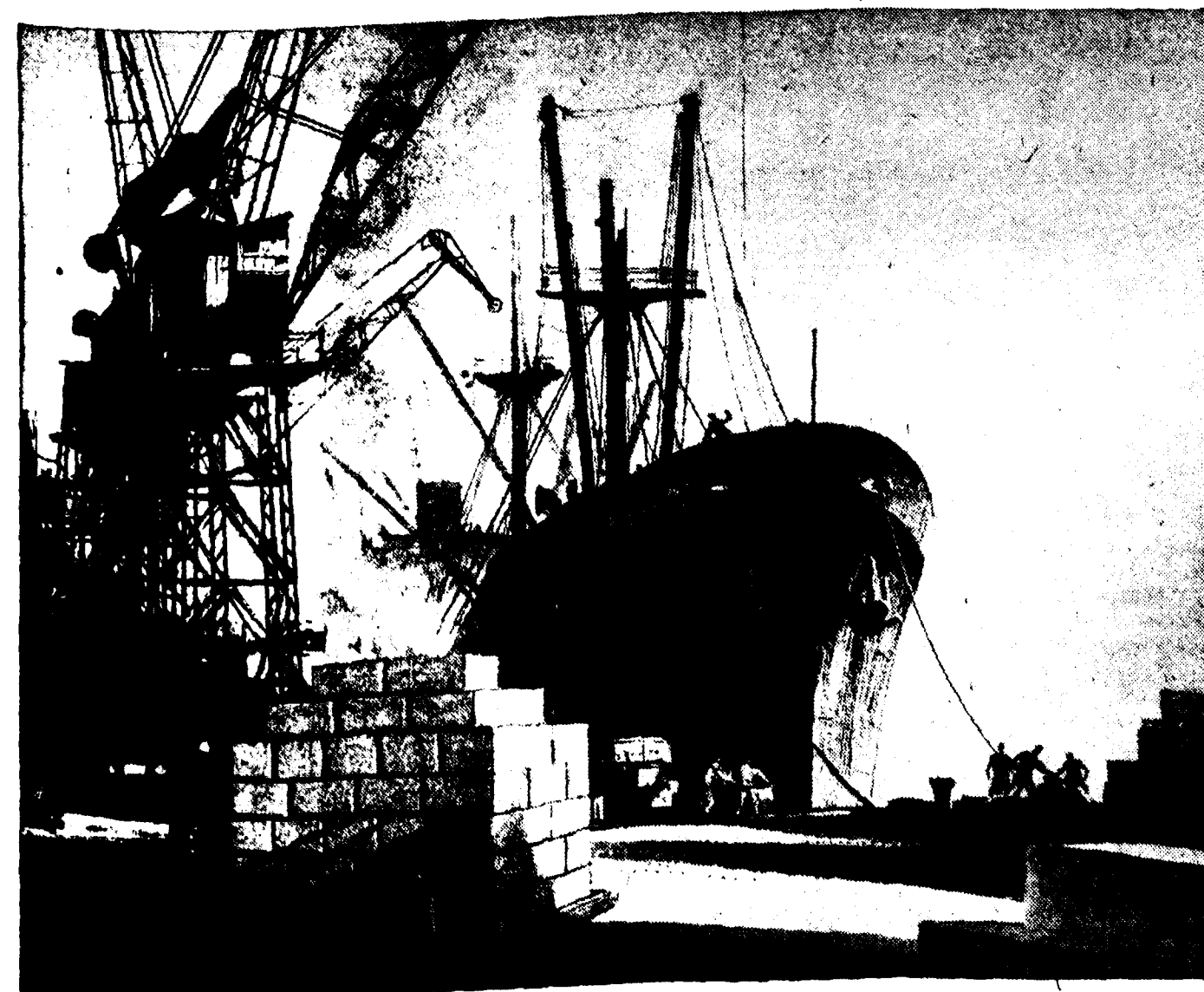
More Pay for MPs

THE Members of the Canadian House of Commons have just voted themselves a 100 per cent increase in pay. They have increased their basic indemnity from \$4,000 to \$8,000 a year, on top of which they get a tax-free expense allowance of \$2,000. Their new estimate of their own worth could not become effective without the consent of the Senate, a body appointed for life; so it was no surprise that the Prime Minister's Bill also provided for raising senators' salaries from \$6,000 to \$10,000. Some hope was expressed in the Commons that the senators themselves might think fit to take a smaller increase. But they did not. In voting themselves, as well as the MPs, \$10,000 a year, the senators were not moved entirely by covetousness. They have an anxious regard for the status of their Chamber as a full branch of the Legislature, and to take less pay might have seemed to be accepting a junior status.

The voters have had some serious doubts about MPs giving themselves so large an increase. The principal argument used in support of it is that political life should be open to people of very modest means, not merely to those who can afford it. And Canadians accept the increase less as an assessment of what present MPs are worth than in the hope that they may get more who will be worth it.

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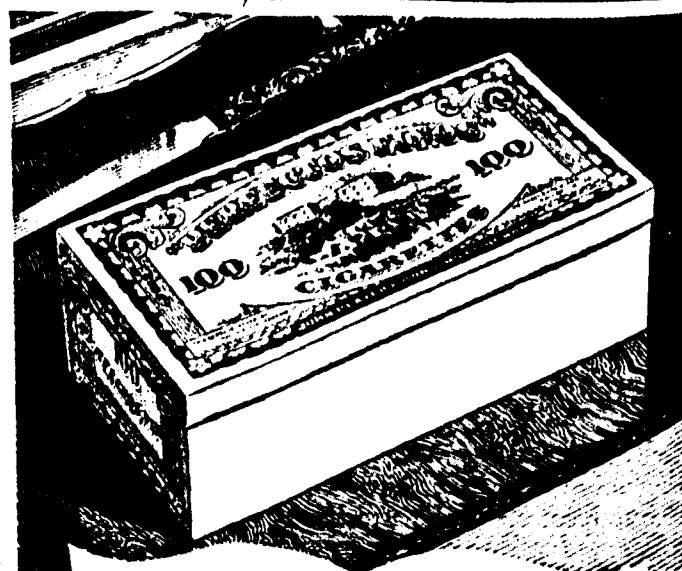
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THE BUSINESS WORLD

Housewives' Choice

ON May 10th branded margarine will return to the shops and competition will rule in the margarine industry after a lapse of fourteen years. Manufacturers will be free to produce as much as they please and to sell where they please. Competition for the consumer's favour will be keen. It will not be competition mainly between two or three large firms, as it is in synthetic detergents. The margarine industry is dominated by Van den Berghs and Jurgens, a manufacturing subsidiary of Unilever, Ltd., which has supplied between 65 and 75 per cent of the margarine absorbed by the controlled market. An engaging rumour in the trade, strangely persisting despite the company's denial, whispers that Thomas Hedley & Company (Unilever's principal competitor in soaps and synthetic detergents) contemplate the manufacture of margarine. Thomas Hedley have long been makers of cooking fat and the manufacture of margarine, which uses similar materials, would be a logical development if the company could count on a market large enough to justify the capital expenditure that would be involved.

The two "Co-ops," English and Scottish, together supply over 10 per cent of the market; the remainder is shared by about eighteen smaller firms, who are likely to view decontrol with private qualms about the fight that lies ahead. During the long period of control, the manufacturers of margarine and the refiners of oils and fats—often the same companies—have acted simply as agents of the Ministry of Food. The Ministry has supplied the raw materials and taken delivery of the finished product. All margarine (and cooking fat) has been distributed on the Ministry's behalf by a central organisation, "Marcom," set up by the trade in 1940. Thus the margarine industry throughout this period has not had to finance the necessary stocks of raw materials nor the finished products. For Unilever alone, the cost of

carrying such stocks was estimated a year ago at about £15 million, and it is probably of the same order today. In addition, manufacturers will have to expand their sales staffs, and to begin advertising again. Extra charges of this kind can more easily be faced by the larger companies as they seek to expand their share of the market, but they will certainly strain the resources of the smaller firms.

Gone, too, will be the Ministry's system of fixed payments. The oil refiners were paid a sum based on the average production costs of a representative cross-section of the industry, plus a profit margin assessed on a prewar period. Refiners thus had an incentive to reduce their costs below that average. Manufacturers of margarine, however, had a less effective incentive. They were paid according to an audit of their costs in a period selected by the Ministry, plus a profit margin also assessed on a prewar period.

The leading manufacturers hope to expand their sales by the introduction of a first quality brand of margarine, which may sell at about 1s. 10d. to 2s. a lb, compared with the present unsubsidised price of 1s. 6d. for standard margarine. Some manufacturers may later be able to reduce the price of their ordinary brands slightly below 1s. 6d. a lb, although this—and the price of the first grade—depends largely on prices of edible oils in the world market. Both grades, especially the first quality, will be a distinct improvement on the existing standard grade. The claims of manufacturers that the new products will surpass in flavour and texture anything known before may lead consumers to wonder why they have had to wait fourteen years for a better margarine. The answer seems to lie mainly with the Ministry of Food, and partly with the manufacturers.

Freshness is almost everything in margarine. Owing to the Ministry's proper desire to economise in distribu-

tion costs, and to hold what seems to have been an unnecessarily generous level of stocks, margarine has been reaching the shops up to a month or more after the time of manufacture. In future manufacturers will minimize stocks, and they intend to reduce the distribution period to a maximum of about two weeks. The leading companies will send their sales representatives into the shops, as before the war, to ensure that retailers' stocks also are kept to a minimum, and margarine which falls below a certain standard of freshness will be sent back to the factory. Rapid disposal will enable manufacturers to improve the flavour further by dispensing with preservatives.

During the period of control, the Ministry has fixed the composition of margarine, and has checked the quality by a regular sample from each manufacturer. Some manufacturers have appreciably exceeded the official standard of quality; in fact, consumers who have spotted the makers' code letter on the wrapper could enjoy the best available in their district. Other manufacturers have been content to maintain the Ministry's standard; indeed, the absence of competition gave them no compelling reason to exceed it. Naturally the leading manufacturers have kept some of the fruits of their research up their sleeves until it can be exploited in a free market. After control ends, the companies will produce brands combining flavour, texture, colour, "spreadability" and price in the ways that they consider best suited to the market.

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Margarine is made from a variety of edible oils, mostly vegetable. Almost any combination can be used, according to the manufacturer's skill in blending and refining. A typical recipe could be: take four parts of groundnut oil, two of coconut oil, two of palm kernel oil and two of palm oil. Add one part of skim milk to give aroma and flavour, a dash of vitamins A and D—the "sunshine" vitamins—and the mix is ready for the machines. In the "batch" method of production, the mix would then be churned, cooled, kneaded and blended in a row of machines roughly the length of two cricket pitches; the finished product is then moulded in half pound shapes, and finally wrapped in parchment paper at the rate of 92 packets a minute. But this "batch" method of production is being rapidly superseded by continuous machinery, such as the "Votator," which performs all these operations except packing in a space about 8 ft. by 20 ft. at an appreciable saving in cost. The risk of contamination is reduced to a minimum, because the materials are not exposed to the air, and the finished product is considered to be at least as good as that produced by the batch system.

That consumption of margarine in Britain will increase after decontrol is generally taken for granted. But the extent of the increase, and how much of it will be at the expense of butter, cannot be foreseen. Before the war the consumption of butter was nearly three

times that of margarine—24.7 lb per head per year against 8.7 lb. This was when New Zealand butter sold at an average price of about 1s. a lb, and top quality margarine at about 8d. a lb. The present relation of prices is much more in margarine's favour, and under rationing the pattern of consumption has largely been reversed. Consumption of butter rose to 16.9 lb per head per year in 1950; in 1952, the last year for which figures are available, it fell to 10.9 lb, not much more than half that of margarine, which was 19.3 lb. Butter is expected to sell at between its present unsubsidised price of 3s. 8d. a lb. and 4s., or roughly twice the price of top quality margarine. This week the butter ration went up by 1 oz to 4 oz a week, and it will be interesting to see whether the ration is fully taken up at the higher price. The margarine ration is now 5 oz, and consumption is running at about 90 per cent of the total ration.

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Margarine may gain custom from people who consider that there is no perceptible difference in taste between branded margarine and butter, or from those that consider that the difference is well compensated by the margin in price. Its use may also increase in home baking and cooking, stimulated by advertising and by ample supplies of sugar and eggs. And the bakers and manufacturers of biscuits and other foodstuffs are almost certain to use more.

But the battle between these two fats will not be one-sided. Butter will also be fresher, because there will be a similar speeding up of its distribution, and it will also be produced to suit the varying taste of consumers at varying prices. Though margarine is regarded scientifically as in every way equal to butter in nutritional value, provided that it is enriched with vitamins A and D, many people consider it to be inferior. Nor, perhaps, has margarine quite lived down its earlier social stigma of being the poor man's butter. And those who are still particular about their food—an admittedly small fraction of the British public—will always maintain that for cooking butter has no substitute. It may be some time, however, before competition fully returns to the market, in the sense that the manufacturers of margarine and the blenders of butter are entirely free to choose their raw materials. Several long-term contracts between the Ministry of Food and overseas suppliers of butter and edible oils are still running; most of them expire in mid-1955, but contracts for oils and oilseeds from the Pacific Islands continue until the end of 1957. For those contracts which cannot be ended this year by mutual agreement, the Ministry will presumably allocate the quantities involved among the members of the trade. But the competitive pace will quicken soon enough, and long unfamiliar words like salt, fresh, Stork, Silver Seal and the rest will once again be part of the housewife's vocabulary. Her new freedom of choice is the least reward for living in a country which has rationed margarine longer than any other.

Middle-Age Spread in the Banks

By A CORRESPONDENT

THE season of the bank chairmen's speeches has passed; one by one they have reviewed and pronounced judgment upon fiscal policy, monetary control, the export trade and industrial problems. They have justified their particular dividend policies; but they have made only passing reference to emergent problems of banking that are unseen by the general public and are little understood even inside the banks.

It may be that the formative and expanding years of the banks have passed for ever; after the early amalgamations that produced the main structures, there was a burst of activity in the between-wars period, but now this, too, seems to have merged into an uneasy middle-age, marked by a burgeoning waistline of bulging assets. But there is also a rigid structure of high cost working set against this impressive backcloth of astronomic balance sheet figures—both the product of an inflationary age that it is too early yet to describe as under control. The mere presence of assets does not imply adequate earnings, and interest rates have been far from stable or altogether remunerative over the last few years; the result has been a general re-thinking about the scope and cost of banking services, and about the long-term questions of staffing and organisation. Whether this analysis has been adequate or effective is still open to serious doubt.

The need for extra earnings has been marked in most cases by higher charges for current accounts, by the introduction of charges for services formerly free, and by an expansion in the work of the specialist departments. In the main, a less adventurous postwar policy in branch expansion is being coupled with a drive to obtain more customers for existing offices, and encouraging each to employ more fully the range of valuable services that the banks provide.

The importance of additional revenue from general banking services has been emphasised by postwar difficulties on the lending side, both in rates and in the application of official credit policy. Loans to essential industry, which too often tend to be a substitute for long-term finance, have been given a marked advantage over the private and professional borrower, formerly good friends to the banking system—but there are expanding specialist loan organisations to which these once favoured customers may turn. The potential borrower in the bank parlour too often finds that by the time the branch manager has made a penetrating investigation of his application for an overdraft, squaring it with current credit regulations, and perhaps making reference to higher authority, his feeling of fatigue and uncertainty can sometimes be resolved by placing the business elsewhere. Although bank finance may well prove cheaper in the long run, the handling

of potential overdraft business occasionally lacks finesse and can compare unfavourably with the clear-cut charges and margins, precise forms of repayment and less cumbersome security procedure of the banks' competitors. The special place of the banks in the credit structure has made them vulnerable to competition in times of credit control, and the realisation of this danger has encouraged the more rapid development of other revenue-earning sections.

All this points a moral: the banks' business is based more firmly than ever upon the current account and the connections arising from it, and only secondarily upon overdraft business; but high costs and keen competition for customers who are not easily reconciled to increased bank charges pose a problem of efficiency in organisation and management control. And these in turn involve three powerful influences in British banking: first, the cumbersome and time-wasting design of the cheque as a negotiable instrument; secondly, the method of long-term recruitment of male staffs resulting in a working life of some 42 years; and thirdly, the difficulty of effective control and guidance in widespread concerns made up of branch units of varying size.

Considerable handling time would be saved if the traditional type of cheque were replaced so far as possible by a non-negotiable, non-transferable document for credit to the account of a named payee only. Some concession in stamp duty and bank charges for the use of the newly designed payment slip would no doubt help to popularise such a change. Cash turnover has increased immensely, but little has been done to apply mechanical aids in handling cash. After a struggle, the passbook has given way to the statement of account, but here and in the ledger record there is far too much detail. Do customers wish to pay heavily for the insertion in their statements of information that can easily be found from the counterfoils of their cheque books?

Banking business in this country offers special scope for higher productivity. Seventy-five per cent of the work is well adapted for mechanisation and bulk handling, and the remainder might be dealt with in ways more economical of time and labour. But it is, unfortunately, the repository of custom, tradition and false professional values; as a result an unthinking and almost extravagant use of high cost labour too often persists rather than a calculated search in all sections for mechanisation and better organisation.

The real problems of bank organisation and mechanisation emerge, in fact, in the consideration of the human element. Guidance on methods can be—and is—largely initiated in London, but the effective implementation of policy is largely in the hands of men who entered the banking business as long ago as the first

world war. Then it was a business characterised by expansion, amalgamation, an almost exclusively male staff, steady if not spectacular promotion, few problems of high labour cost in relation to earnings and, above all, manual operation of practically all banking processes. It was a different world with different values and a different tempo. Two major wars and a trade recession have shown that much of the traditional superstructure of early banking, with its mass of record, regulation and counter-checking can be avoided with real economy; but in too many cases older men, whether engaged in management or clerical duties, lack an understanding of the conflict between cost and income that is implicit in their own office routines, and wish merely to postpone change—until their own retirement. This outlook may seem harmless and understandable, but it is in fact catastrophic to younger members of the staff who, in the early and formative years of service, too readily assume as normal or inevitable the more extravagant and pedestrian aspects of the banking system.

Given the acceptance of mechanisation in banking, whether operated in the branches or in centralised machine rooms, the whole staffing structure comes under review. The need for a majority of long-service entrants disappears, since the bulk of machine and repetition work can be carried out by a short-service element of women, supervised by a comparatively small long-service core of both sexes.

Mechanisation would demonstrate that the present male bank staffs are, in the main, over educated for the duties they have to perform. Integrity and constancy are fundamental, but the slower rate of expansion in the internal banking business has led to frustration among those who might have expected to progress from routine duties to positions of responsibility. Another serious difficulty arises. The banking business competes with every other industry and profession for recruits, offering new scales of pay that give higher maxima at younger ages than formerly. The new intake has the opportunity of promotion at a much younger age than previous recruits; one bank chairman pointed out that young men at an initial training centre in 1950 were already passing through a junior course at a staff college proper during 1953. Earlier appointments to managerial and equivalent positions will mean, with permissive retirement at 60, that the channels of promotion will be blocked for longer periods than formerly; the implications for bank staffs recruited, for example, between 1930 and 1940, and for those to be taken in from about 1960 onwards, could be serious unless a careful scheme of dilution between the two classes is worked out.

Banking, for all its attractions, is a specialised—almost isolated—area of endeavour hard to compare with the creative fields of law, medicine, science, architecture and perhaps accountancy. In banking there is too little movement within the industry as a whole, and too little movement within the banks from branch to branch to avoid stagnation. At present, entry

must be something of an act of faith, supported by the knowledge that the branch manager and executive of the future will undoubtedly need the technical ability, enthusiasm and drive that will enable him to transmute, for the bulk of his staff, routine and repetitive work into a worthwhile occupation with a real sense of purpose. The new entrant must acquire an undistorted conception of the banking business as a great accounting machine of settlement and record for most of the internal and external trade of this country.

The absence of individual professional status in banking is harmful to the banks themselves and to their staffs, particularly in the later years of service when the limitations of routine are felt more keenly. While the present examinations and internal training systems may yet serve some purpose within the banking system itself (though some diversion of resources from new entrants to management training in organisation and the application of machine methods might well provide a better dividend) there is a real need for a generally accepted standard of higher education, linked with University status. Only the realisation of wider horizons in banking will encourage the young man of intelligence and ability to sample, to enter and to stay in banking. That also implies that his seniors, formerly young men approximating to the same description, are making at least some headway in the career of their choice, carried on in well organised and equipped offices where manual labour is an anachronism and not the norm.

IN GRANDPA'S FOOTSTEPS

"BRITISH TRADE WITH MEXICO"

Mr. Björklund, of His Majesty's Legation at Mexico, holds that if British manufacturers and merchants were to show the enterprise and adaptability displayed by the Germans and Americans, they might participate more largely in Mexican trade. At present our share in that trade is declining. American traders who, from their proximity, enjoy special advantages, are constantly sending their representatives through the country, and the German manufacturers, according to the Consular official, are more ready than our own to adopt suggestions from their agents in regard to the style or finish of their goods.

From a Business Note in The Economist, 17th January, 1953.

As it happens, in 1952 Germany took Britain's place as Mexico's second largest supplier.*

Our quarterly reports on over seventy countries keep exporters informed about economic conditions in their overseas markets.

*Our ninth quarterly report on Mexico is published this week.

The Economist Intelligence Unit

22 Ryder Street, London, S.W.1
Whitehall 1511 Extension 129

Business Notes

Budget Shock

THE estimates of civil expenditures in 1954-55, released just as this issue of *The Economist* went to press, will surely chill some of the optimism lately prevalent about the coming budget. The fact that current expenditure has this year been running below 1952-53 levels, despite the presentation of very large supplementary estimates, is a sign of under-spending on other votes; and this had encouraged hopes that substantial savings might be shown in the estimates for the new year—especially as part of this year's supplementary votes had been understood to be for outlays that would prove to be non-recurring. But in fact the civil estimates for 1954-55, after deducting the portion of the Ministry of Supply vote that is included in the bill for defence, total no less than £2,327.8 million, which is some £10 million more than the total estimates for 1953-54—which include the supplementary votes of £228.7 million, but naturally take no account of the under-spending on other votes.

These total estimates for the old year, though they always figure in the papers presented to Parliament, are not, however, the relevant basis for comparison, since supplementary estimates have become a normal hazard of each year's finances; and, in any case, the total voted for 1953-54 will not in fact be spent. The proper comparison is with the original estimates for that year; and on that basis the new estimates show an increase of no less than £235.6 million—which is a highly disturbing prospect. Inevitably, a large part of this increase comes from the Ministry of Food, the bill for which is put at £146 million more than at this time last year (though at £16 million less than the revised estimate). Even more depressing, because less expected, is the absence of any perceptible savings throughout the rest of the list. Instead, there are some substantial increases—£20 million more for education, a similar addition for housing (including the Exchequer grants to local authorities), £16½ million more for the Health Service (raising it to £433 million), £15 million more for Colonial services, and many smaller increases (but sometimes proportionately larger ones) on other items. The only sizeable reduction is one of £7½ million on the dying Ministry of Materials, with possibly some saving on the Ministry of Supply's "civil" expenditure—but comparison here is obscured by transfer of the atomic programme to the new Commission.

The upshot is that the bill for supply that the Chancellor will have to face in his budget will be £3,882.4 million, including £1,554.5 million for defence. In his last budget the bill was £3,586.3 million, including £1,496.8 million for defence. The increase will therefore be nearly £300 million; and the only consoling qualification that can be made to that figure is that £54.6 million

is a purely "bookkeeping" increase. This arises from the fact that American aid—which, in these figures, is deducted from the defence estimates—is this year expected to decline from £140 million to £85 million.

The Price of Atom Power

THE Vote on Account reveals for the first time the cost of running the atomic energy project. No hint of this has been allowed to escape before; now that the totals have been published, their sheer size is impressive. The estimates for the coming year, 1954-55, put expenditure at £53.7 million; last year's total, when the organisation was under the direct control of the Ministry of Supply for nine out of the twelve months, is put at £46.5 million. And these figures do not include the cost of producing atomic weapons; this is borne separately by the Ministry of Supply, and it is unlikely that any direct indication of its size will be given.

In round figures, there are probably about 15,000 people employed by what is shortly to become the Atomic Energy Authority. The organisation is still expanding; this year two atomic piles are being built in Cumberland for the Authority's first experimental power station and work should start shortly on a breeder reactor. Several buildings have still to be completed at the gaseous diffusion plant at Capenhurst, and a certain amount of minor construction work is in hand at the other plants. The Authority's budget of £54 million will cover these building costs as well as the running expenses of the plants, the purchase of uranium ore, and all research and development. Big though it is, the sum is dwarfed by comparison with the estimates for the American Atomic Energy Commission for 1954-55, which amount to a monumental total of about £865 million.

£30 Million for ICI

IMPERIAL CHEMICAL INDUSTRIES is a giant and acts like a giant. Not content with announcing the largest cash issue ever made by a British company, it has linked the issue with a massive equity share bonus of nearly £71 million, with a higher dividend forecast and with a reconstruction of its preference capital. All these proposals have a most up-to-date look.

Since the war ICI has raised about £60 million by two "rights" issues of ordinary shares and by placing privately £20 million of 4 per cent unsecured loan stock (1958/60).

It now intends to raise another £30 million by issuing a 4½ per cent unsecured loan stock (1972-74) at par. Financing by a loan stock, the interest on which does not attract distributed profits tax, is an orthodox move these days. Also in economical vein, the board have followed the example of Dunlop's preference issue; the new stock is being offered only to stockholders on the register on February 25th—and not for public subscription. The issue deliberately courts institutional investors. As these shareholders on the register can apply for as much stock as they like, success seems assured.

ICI's decision to capitalise £70,651,162 from reserves, in order to issue as a bonus one fully paid ordinary share for every £1 stock held, throws an interesting light on the attitude of the Capital Issues Committee towards scrip issues. In April, 1951, a similar application from ICI was turned down, presumably on the grounds that just over £96 million of reserves arose from the revaluation of the group's assets in January, 1950, and not directly from ploughed back profits. Now the reserves are sufficient to enable the company to make the bonus without using the 1950 revaluation reserves. Whether that is the only reason for the change in the Committee's attitude remains uncertain.

Bonus issues of shares can cause confusion—and speculation—about the next dividend. ICI has wisely accepted the modern principle of announcing the board's intention with the details of the issue. The full year's dividend for 1953, to be paid on the unrevised capital, is to be 15 per cent, compared with 13 per cent in 1952. This dividend is in line with expectations in the market and after its announcement the £1 ordinary stock units (which since the beginning of the year have risen gradually from 53s. 6d.) rose by only 4½d. to 58s. 1½d. The equity has been established on a yield basis of 5.2 per cent, or just a fraction below the average yield on the market leaders.

Another £9,631,078 is to be capitalised from reserves (which at the end of 1952 totalled £173.7 million) in order to issue two new 5 per cent £1 preference shares for every £5 of 7 per cent preference shares now held. The coupon rate on the existing preference shares is to be reduced at the same time from 7 to 5 per cent. Preference shareholders will thus receive exactly the same amount in dividends as they did before. They will be asked to agree to make the preference stock an open-ended issue. In return for that concession they receive the light-weight compensation that each £5 of existing stock now becomes £7 in the wildly improbable event of liquidation.

£70 Million Programme

No further issue of preference or other capital by ICI is, however, likely for some years. The deputy chairman, Mr S. P. Chambers, pointed out that the new £30 million issue would keep the group out of the capital market for some time ahead. The group still intends to find much of its needs from ploughed back profits. There is still £60 million to be spent on capital projects already sanctioned by the directors and they expect to sanction another £70 million of capital expenditure in the next three years. This will be another massive stride forward in the group's capital programme, on which about £210 million, including £150

million coming from internal resources, has been spent since the war.

The new money is not required for one particular project but once again it will be used in an advance in depth all along the line. Among the many projects the directors have in mind are expansions in the production of soda ash, caustic soda and chlorine, nylon and Terylene. Not less than £12 million may be spent on the Wilton group of factories; about £3½ million will be spent on a factory to produce 1,500 tons of titanium a year; and perhaps as much as £8 million more will be spent on the nylon polymer plant, on which in 1950 the directors decided to spend at least £5 million. This increase in expenditure seems to account for more than the projected rise in British Nylon Spinners' output this year from 10 million to 30 million lb, presumably because of the acquisition of the Bemberg plant which will come into nylon production next year. These are all massive figures building up that impressive development and expansion on which ICI bases its answer to the threat of nationalisation in its booklet "The Chemical Industry and Challenge to Britain."

New Look in the Trade Accounts

THE new British Trade and Navigation accounts introduced for the month of January are a great improvement, both visually and technically, on the old. The classification adopted by the Board of Trade is based on the Standard International Trade Classification approved by the United Nations in 1950, which has been adopted by all the main trading countries in their own accounts, or in the trade figures they submit for publication by the United Nations. The principal changes are that the number of commodity headings is increased by nearly one-third; the number of divisions is increased from 46 to 52 and the divisions are grouped into four main classes, instead of three.

The new class, which is most welcome, is *Mineral fuels and lubricants*, comprising crude and refined petroleum, lubricating compounds and mineral waxes, coal, coke and manufactured fuel, pitch, and bituminous asphalts. These items have been transferred from *Raw materials and articles mainly unmanufactured* and from *Articles wholly or mainly manufactured*. Those two main classes, with some further amendments, now become *Basic materials* and *Manufactured goods*. The familiar *Food, drink and tobacco* reappears as *Food, beverages and tobacco*. The fourth and fifth classes in the old accounts, *Animals, not for food*, and *Parcel Post*, are now brought together in *Miscellaneous*. The vehicle division, which formerly covered road and rail vehicles, ships and aircraft, has been broken down into three divisions, rail, road and aircraft, and ships, while wool tops have appropriately been transferred from textiles to basic materials. Special care will now be needed in making comparisons with earlier years, particularly in the sub-classes of manufactured goods, such as engineering products, which now refer to a different range of items. The first three textile divisions, woollen and worsted, cotton, and synthetic, include only yarns and woven fabrics; other manufactures have been taken to the miscellaneous division.

Classification by country generally has been increased, and the number of such tables reduced by extending the

grouping of related commodities. This makes it possible to give countries of destination covering a higher proportion of the total value of exports, although the proportion of imports so covered has had to be slightly reduced. Textiles are an exception; analysis by type is greater than before, but analysis by country is less extensive. In some of the engineering divisions, particularly those which now form a larger proportion of total exports, analysis by country and type has been increased. Total British trade with particular countries, which used to be given one month in arrears, was brought up to date with effect from the December accounts. The appearance of the tables is much clearer, owing partly to the use of a cleaner type face. The British trade accounts are published more promptly than those of any other major trading country, and the Board of Trade is to be congratulated for having improved them without any delay in publication.

Engineering Exports Up

ALTHOUGH total British exports in January were not particularly encouraging, shipments of engineering goods maintained the recovery made in the last quarter of 1953. These goods, which form nearly one-third of total exports, amounted to £89 million f.o.b. in January, £8 million more than the monthly average in the first and second halves of 1953. These products of the engineering industry played a part in the revival: shipments of non-electrical machinery, at £36 million, were £3.5 million above the monthly average of the second half of last year; road vehicles and aircraft, at £25.5 million, were £1.2 million

UNITED KINGDOM TRADE
£ million—monthly averages or calendar month

	Exports			Imports		
	1st half 1953	2nd half 1953	Jan. 1954	1st half 1953	2nd half 1953	Jan. 1954
Food, beverages and tobacco	12	13	12	110	110	114
Basic materials	8	8	8	93	83	87
Mineral fuels and lubricants	12	13	14	26	26	26
Manufactured goods	...	...	...	51	56	53
of which:						
Metals	28	29	27	...	...	...
Engineering products	81	81	89	...	...	...
Textiles, ex. clothing	26	29	29	...	...	...
Other manufactured goods	36	40	40	...	...	...
Total†	209	221	226	282	275	282

* Estimated. † Including Miscellaneous.

higher, and shipments of electrical machinery rose by £800,000 to £15 million. Of the other main classes of manufactured goods, exports of metals in January fell £2 million below the monthly average of the second half of 1953 to £27 million, while exports of textiles and of "other manufactures" were unchanged at £29 million and £40 million respectively. Exports of mineral fuels and lubricants increased by £1 million to £14 million, owing to a further rise in shipments of refined petroleum; exports

of food, beverages and tobacco fell by £1 million to £12 million and basic materials were unchanged at £8 million.

Imports of food, beverages and tobacco, the largest item in Britain's import bill, rose to £114 million c.i.f. from a monthly average of £110 million in the first and second halves of 1953, mainly because much larger arrivals of dairy products, sugar and tea more than offset a fall in imports of fresh fruit and vegetables and cereals; imports of wheat, at £6.7 million, were £3 million below the monthly average of the first half of last year. Imports of basic materials rose to £87 million from a monthly average of £83 million in the second half of last year, but were still £6 million below that of the first half. A rise mainly in imports of raw wool and cotton more than offset a fall in imports of timber. Imports of crude and refined petroleum were slightly higher in quantity than the average of the previous six months, but were lower in value.

Schumania is Waiting

THOUGH M. Monnet may at present be preoccupied with plans to seek a loan from America, his request to the British Government to open negotiations for some closer form of association between Britain and the European Coal-Steel Community has been awaiting a reply since Christmas Eve. Some form of answer, at least, cannot long be delayed; and negotiations can hardly be refused, though few people in the British coal or steel industries seem anxious to be committed to economic concessions for a political gesture, however intrinsically desirable this may be.

Writing in the *National Provincial Bank Review* published this week, Sir Ellis Hunter, of Dorman Long, who was until this year president of the British Iron and Steel Federation, puts a view commonly heard in both British industries:

... the common market has been in existence for too short a time ... and is working in too uncertain a manner to permit of any firm judgment on the likely effects of any British association with the Community. ...

... this background of uncertainty would seem an unhappy concomitant to the proposals for an agreement with Britain. It would require a decision on insecure data.

Similar reserve is expressed in the coal industry, though the common market for coal has lasted rather longer and been more settled. There are feelings in both industries that any acceptance by Britain of the "common rules" from Luxemburg would require concessions by the British—for example, an end to dual-pricing in coal exports, which might leave some £15 million a year more to be found from the British coal consumer, and possible increases in British steelmaking costs—while the continental industries have few useful economic counters to offer in exchange. The political desirability of support for the High Authority

New Look in Defence

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is not questioned, however. "Some form of closer association" does still seem likely to be achieved, with M. Monnet content for the moment to get his foot in the door and the British industries confident that, for the moment, they need not open it farther than they want to.

The Unpaid Tax Collector

WHAT is most striking about the balance sheet of Imperial Tobacco Company is what is not there—cash. For an industrial giant with assets of over £220 million there is an amazing dearth of liquid funds. Group overdrafts and acceptance credits on October 31st were £31,868,858, compared with £29,977,226. Acceptance credits (which must surely be the cheapest way of financing bonded tobacco stocks) again amount to only £5 million of the total, suggesting that the company has found a limit to what it can conveniently finance through the discount market. On the other hand cash is down from £377,363 to £257,115. Clearly the group has continued to finance its stocks largely with the aid of short term finance and with the aid of shareholders' money ploughed back. The group ploughed back last year, as the chairman points out, £4,600,000, about a quarter of the total coming from previous tax provisions. It is not only tobacco which the shareholders and the banks are thus financing. It is also the Exchequer. Stocks last year rose from £120,669,509 to £123,027,184 and debtors (that is goods delivered to the shops but not yet paid for) from £52,213,866 to £54,909,923. The stocks are mainly bonded, but it is safe to assume that there is a tax element of around £80 million in the stocks and debtors together.

CONSOLIDATED BALANCE SHEET
(£'000)

Years ended Oct. 31	1951	1952	1953
Fixed assets, less depreciation	17,517	19,294	20,610
Quoted investments, at cost*	11,170	11,170	11,170
Net current assets	111,991	114,706	117,388
Stocks	130,369	120,670	123,027
Debtors	51,066	52,214	54,910
Cash	383	377	257
Bank overdrafts	34,475	24,977	26,869
Acceptance credits	5,000	5,000	5,000
Reserves	51,029	32,114	36,700
Loan capital	40,000	40,000	40,000
Ordinary capital	37,563	60,101	60,101

* Market value: 1951, £46,150,000; 1952, £43,817,000; 1953, £52,144,000.

Both the short term debts and the shareholders' enforced savings are thus helping to finance the Exchequer in advance of collection of the tobacco duty from consumers. More such short term finance may be needed this year: the stock of £123 million is by no means excessive for a company of this kind with an annual turnover of about £600 million; the Mutual Security Act tobacco bought for sterling towards the end of last year is not included in the present accounts, and the chairman considers that stocks in a year's time may be a little higher. There is no indication that the directors of Imperial Tobacco have any intention of funding the short term debts. It is more likely that they have

decided that bank finance is the most satisfactory solution. And if there were ever a reduction in the tobacco duty the need for finance might decline. But "hope deferred maketh the heart sick."

What is most striking about the address of Sir Robert Sinclair, the chairman, is the point he omits to make. The lung cancer controversy is not enumerated among the three factors he considers important in assessing the outlook for this year. These are: (1) the availability of leaf tobacco, which he believes will be a little better than it recently has been; (2) the trend of costs, which has recently been upwards and he regards as "less encouraging" but "prices to the public will not be increased unless and until it is absolutely imperative" and (3) the demand for the company's products, which has recently been well maintained. Sir Robert's general conclusion on those factors is that the results will not be very different from last year's and that there is little hope of a big expansion in business with the tobacco duty at its present rate. Since he has left lung cancer out of his assessment he must have done so deliberately, believing that it will have little influence on the year's results. Elsewhere in his speech he claims that "nothing whatever in the way of proof in this matter has emerged."

Is Shipping Competition Fair?

AMONG other and more sensational matters, the annual report of the Chamber of Shipping this week has raised the question of the direct and indirect aid that the German and Japanese governments afford their shipping and shipbuilding industries. These nations have since the war replaced the greater part of their destroyed fleets with new and efficient vessels, and postwar replacement of the Japanese fleet, in particular, has been financed chiefly by government loans. These have been nominally at a high rate of interest, but it is suggested that the Japanese government has been steadily easing, and may even have waived for the time being the terms of interest and repayment. Published results for 1953 and the experience of British competitors indicate that many Japanese shipowners, although their vessels are running at a loss, have no financial reserves. The Chamber concludes that their competitors' current and accumulated indebtedness to commercial banks is being underwritten by the Japanese government.

The Chamber complains that the British Government, on the other hand, confines its protective attitude to air transport, which the Chamber argues has had the effect of preventing British shipowners from exploiting the possibilities of this complementary form of transport as they were prepared to do. Recently, of course, the Government has been encouraging independent operators to participate in the development of air independent transport. The report states that if shipowners are to contemplate greater participation in air services, they need first to be assured "that this is the policy of the Government and that as air operators they would be given a fair field and continuity of service." It is also added that if shipowners were to be restricted to "cargo only" air services, they would be heavily handicapped in competition with the

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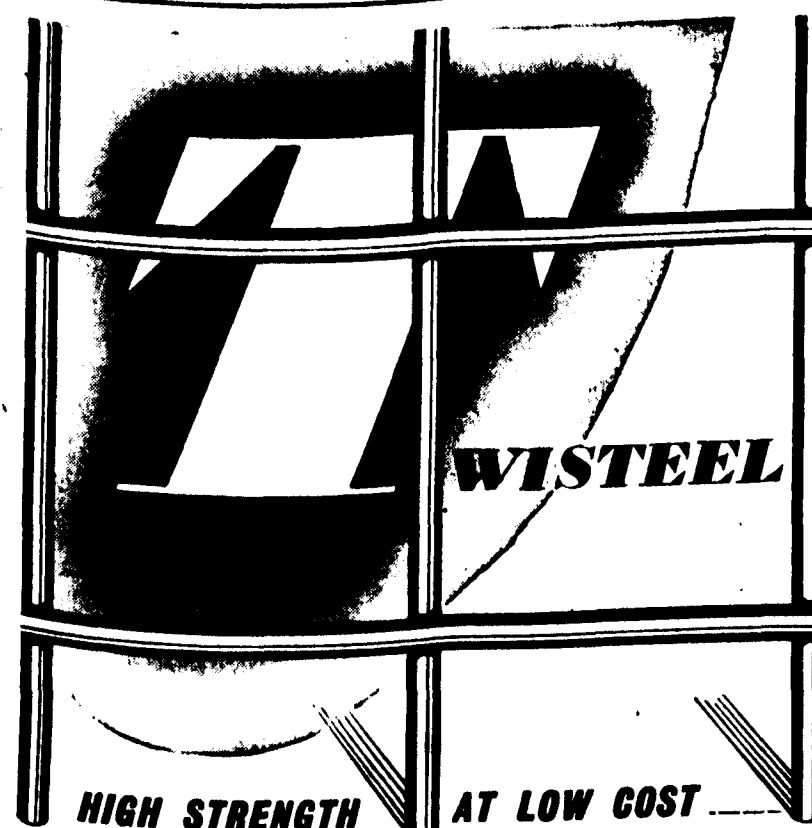
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corporations and foreign competitors (though recent developments suggest that independent "freight only" services are likely to be protected from competition by the corporations, at least). The recent entry of shipping companies into the air transport field, moreover, indicates that some of them take an optimistic view than the Chamber of Shipping in general.

Home-truths about Dividends

BETWEEN now and the budget much more will evidently be heard of the Labour attack upon rising dividends and their alleged connection with the latest phase of wage pressure. The statistical facts about the relative trends of these two streams of personal incomes—a small rivulet on the one hand and a broad river on the other—cannot, therefore, be too often reiterated. For almost every move in the left wing campaign so far has been based on grotesque misrepresentation of the figures, and daily aggravates the formidable but vital problem—in this phase of rising competition in world markets—of keeping Britain's wage costs in line with Britain's productivity. It is well, therefore, that the Chancellor himself has now felt impelled to protest at these distortions and to put the relevant figures in perspective.

In a speech at Glasgow last week he vigorously rejected the charge that the Government's policy of "enterprise and incentive" represents a "smash and grab" for one section of the population—an effort to encourage an increase in dividends whilst trying to freeze wages. He himself had never asked for a "freeze" of any kind, but only that increases in personal money incomes should not be sought unless they are supported by increases in output. There has not, in any case, been any "runaway" rise in dividends. In the four years to 1952, according to the latest available estimates from the official national income statisticians, the money incomes of wage-earners rose by 30 per cent and those of shareholders by 23½ per cent, whilst in real terms these increases were equivalent to 6½ per cent and 1 per cent respectively. Moreover, if the comparison is extended back to prewar days, the average wage-earner's money income has risen twice as much as the average shareholder's; in real terms, his income has risen by 28 per cent whilst the shareholder's has fallen by 35 per cent.

These figures admittedly do not take account of the rise in dividends in the past twelve months; but even the recent experience does not perceptibly alter the comparison. The index of wage rates was unchanged in January (at 138, compared with 100 at mid-1947), showing a rise of 3 per cent, or roughly twice as much as the rise in the retail price index, since December, 1952. Labour spokesmen have contrasted this movement with the increase of roughly 10 per cent in the money amount of dividends paid by companies whose accounts were published in 1953. But this was a net amount, reflecting the benefit of last year's reduction in income tax; the increase in gross dividend incomes was only 5½ per cent—and part of this was attributable to this year's additions to capital. In other words, the rise in the average return to equity capital during the year was

roughly the same as that in wage rates; the monthly average of these in 1953 was 4.6 per cent higher than in 1952.

Properly construed, therefore, the comparisons of wages and dividends provide no basis at all for pleas of the kind now being launched by the TUC in its pre-budget message to the Chancellor. Its budget prescription this year includes an increase in the distributed profits tax, an increase in the duty on share transfers, a reimposition of the foolish tax on bonus issues—a tax disowned and repealed by a Labour chancellor—and the introduction of statutory limitation of the amount of distributed profits. This is a prescription of class-prejudice; but, worse than that, it is a prescription for ossifying the economy. The TUC this year falls far below the standards of economic judgment it has shown in many postwar years.

Tideland Coal

COAL is mined under the seabed at about 25 pits in Britain, mainly in the north. The seams that extend out from East Fife under the Firth of Forth, probably meeting the Lothians coal measures, offer large amounts of coal within reach of coastal pits, and have been called "one of the few really rich areas available for intensive exploitation in Britain." In Northumberland and Cumberland the significance of certain undersea reserves is enhanced because the same seams inland have largely been worked out. The programme of undersea boring that Mr Humphrey Browne this week announced the Coal Board is to undertake will be concerned primarily with proving the extent, quality, thickness and depth of such reserves before existing coastal workings are extended; later it might be widened to include prospecting—for such possibilities as anthracite beneath the English Channel.

This is a fairly expensive venture. The "scafort" drilling rig may cost £250,000, and marine drilling costs may considerably exceed those on land—where a 2,500-foot borehole may cost £20,000, and drilling below that depth some £9 a foot. But proving the undersea reserves by forward "drivage" underground is also costly, and limited for practical reasons; while the risk of developing workings underseas, at huge capital cost without full information makes the marine boring a worthwhile insurance. So the "scafort" is to be built, as the most spectacular of a number of technical innovations that the Coal Board has in hand:

Use of "electric logging" processes to investigate strata from its inland boreholes;

Experiments with a "cactus grab" for faster sinking of new mine shafts;

Purchase of a Swiss "electrogyro" locomotive, in which energy is stored by a large flywheel which is "topped up" to 3,000 revolutions a minute from electricity supply points, that acts as a "battery" to drive the traction motor;

Tests of "wired radio" for mine communication systems, and—in one Kentish colliery—of underground air-conditioning.

Mr Browne also reviewed the many types of coal-getting and power-loading equipment the industry is testing—a perhaps significant absentee from his list being the once-favoured "Samson Stripper."

Profits from Welsh Steel

Two more of the giants of the steel industry, Richard Thomas and Baldwins and the Steel Company of Wales, have published full reports for the 53 weeks to October 3rd last. Neither of these companies is thought to be high on the Realisation Agency's list of companies for resale. Their last year's profit record, and indeed the ups and downs in the tinplate industry, provide one of the reasons.

The total income of Richard Thomas and Baldwins, which owns a steelworks and wide strip mill laid down before the war and a number of small tinplate works, fell by £3.7 million, or by nearly 31 per cent, to £8.5 million. The gross profits of the Steel Company of Wales, owning the Abbey steelworks and strip mill built since the war and the Trostre tinplate mill, have fallen by £700,000, or just over 9 per cent, to £7.7 million. Both companies were obviously hard hit by the recession in the tinplate industry, when a number of the small works, which had been enjoying handsome export premiums on much of their output, were closed or put on a "care and maintenance" basis. In commenting on the fall in profits the directors of both companies draw attention not only to the "temporary recession" in the tinplate industry but also to the considerable decline in export prices. Towards the end of the financial year, however, there was an improvement in demand for their main products—an improvement that has been maintained in the current year of trading. In contrast to this experience, Thomas Firth and John Brown, which concentrates on forgings and special steels, has reported that its profits in the same period rose slightly, to nearly £2 million.

With a plant erected since the war the Steel Company of Wales has to set aside a far greater part of its profits for depreciation and for servicing its loan stocks than does Richard Thomas and Baldwins. Further increases in these provisions last year explain why its net profits have fallen by £787,000—and this despite the halving of the transfer to a tax equalisation account. Net profits of Richard Thomas and Baldwins, following an abrupt fall in the tax provision, have been reduced by £583,000 to £3,132,000. These results do not suggest that the task of selling these companies back to the public will be easy—and for the Steel Company of Wales the difficulties must be greater than for Richard Thomas and Baldwins. One of the reasons for this is that while the directors of Richard Thomas and Baldwins speak of a development scheme estimated to cost £7½ million, the outstanding capital schemes sanctioned by the Steel Company of Wales are estimated at a cost of £33 million.

Money From Brazil

A most striking achievement in the recovery of blocked sterling debts in Brazil has been made by Ocean Coal and Wilsons which recently announced the repayment of 1s. 6d. per 4s. stock unit. The repayment takes £1,600,000 and it is now disclosed how the group which had only

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£662,000 in sterling on December 31, 1952, has found the money. The group is a combination of Welsh colliery interests not yet fully paid for by the nationalised undertaking and an old-established merchanting business deeply involved in South America, chiefly in Brazil. Both halves of the undertaking have contributed: the colliery side, Ocean and United National Collieries, have repaid to the parent company £976,250 partly out of liquid assets which they already held and partly out of interim compensation recently received; the South American trading section, Wilson, Sons and Company, have succeeded in clawing back no less than £827,500 from blocked debts in Brazil. The colliery business has been left with £320,000 together with a further claim for compensation, and the chairman, Mr F. A. Stackpole, gave shareholders on Wednesday a rough estimate that they might expect a further capital repayment of about 9d. per unit. The merchanting business is to continue. Overdrafts in Brazil are down from £2,835,781 on December 31st to below £700,000 today. This is partly due to repayments but also partly to using the free exchange rate of 150 cruzeiros to the £ in place of the official one of 52½ cruzeiros.

This great improvement in Brazil has been achieved by trading the foreign currency invoices for which transfer had not been authorised against the Brazilian Government's long position in cotton. Merchants bought the sterling debts at a discount and used them to buy Brazilian Government cotton also at a discount. The cotton went out to every part of the world where sterling payments are accepted. It was done at an astonishingly small discount. The sterling debts were sold at discounts ranging from 8 to 14 per cent—evidently chiefly at the better figure—for the effective average rate of exchange was below 60 compared with the official 52½ and the free 150.

One question remains. Has the Board of Ocean Coal and Wilsons, in this smart stroke of business, jumped the queue of Brazil's sterling debtors? The answer must be, No. It has acted with the knowledge and approval of established authority in both countries. If there is a tinge of envy in the hearts of Brazil's numerous unpaid sterling creditors it should be focused on the two governments and their central banks—not on the Directors of Ocean Coal and Wilsons.

A Gift Horse Examined

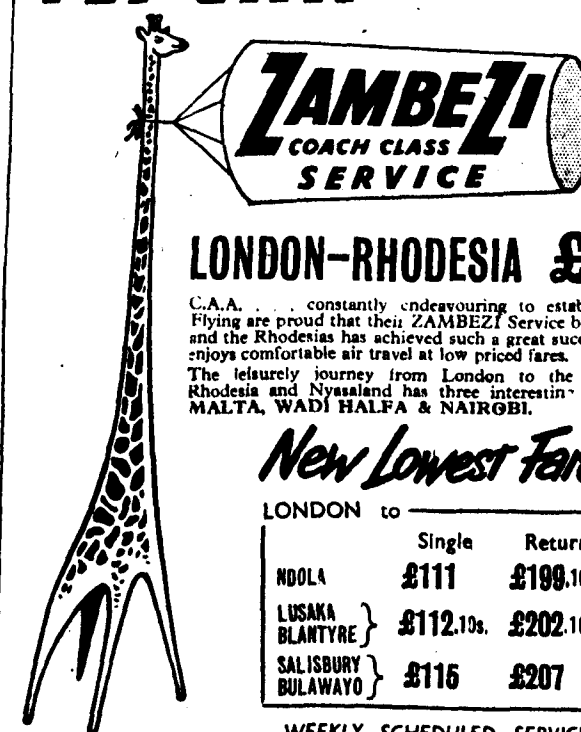
REPRESENTATIVES of the Canadian Wheat Board met the London grain trade late this week to hear criticisms of its new pricing policy. Paradoxically the London trade is protesting against the decision to cut the price of wheat ex-store Fort William by seven cents to \$1.79 a bushel, but only because the trade considers that the board has prejudiced the existing contracts for shipments from Vancouver, which formerly were quoted at the Fort William price. The reduction has been made to bring the price for shipments out of Eastern Canada (ex-Fort William) more into line with the Vancouver price. The bulk of the British and Continental contracts have recently been placed with Vancouver, where c.i.f. prices were some 30s. a ton below those from the Atlantic port of St. John, despite the long haul through the Panama canal. The board hopes that its action will

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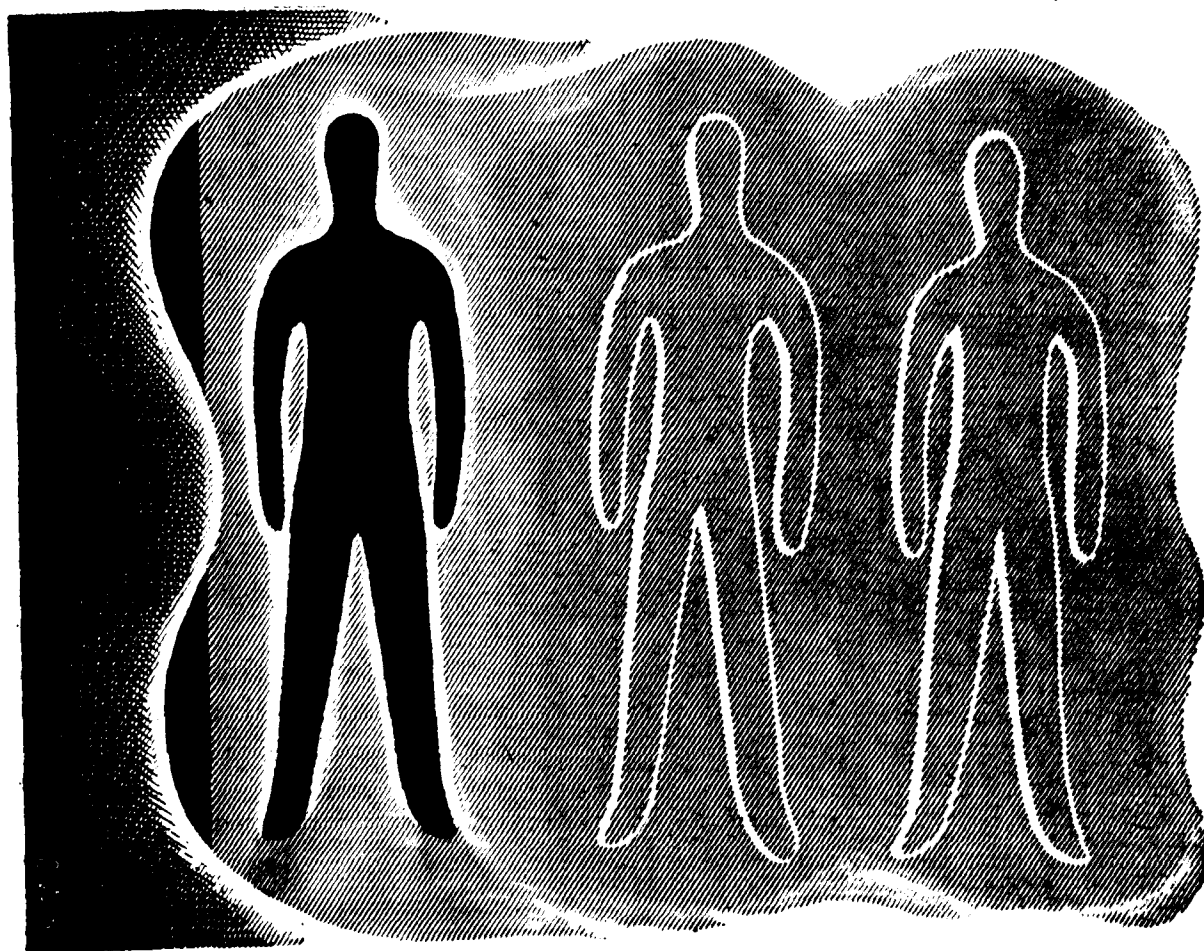
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encourage sales from the east and relieve the congestion of wheat in Manitoba and Saskatchewan when the St. Lawrence opens for shipping in April. The British grain trade, which bases its business on the Fort William price, argues that it will, in effect, lose nearly £1 a ton on its Vancouver contracts, and it wants the reduction to be postponed until those contracts have been cleared. Although the reduction is basically designed to meet an internal problem, the United States government promptly recognised its external implications by raising the export subsidies on American wheat shipped from Atlantic ports by six cents a bushel and from Gulf ports by four cents.

Most British and Continental buyers are holding off the market until the Canadian policy is clarified. Buying this season has been hand-to-mouth at the best of times. The latest figures published by Broomhall show that from August 1st, the start of the new season, to February 6th, world shipments of wheat and flour totalled 41 million quarters (of eight bushels), 9 million less than in the same period of 1952/53. The United States has shipped 7.6 million quarters less this season; Canada 7 million less and Australia 1 million less. Argentina has shipped over 7 million quarters, compared with almost nothing in the same period last season. The American government's policy, announced on November 19th, of subsidising exports of wheat sold outside the International Wheat Agreement down to the agreement price, has so far been of little avail. Up to February 11th only 2 million bushels had been sold, mostly as flour. In the first six months of the new agreement total exports amounted to only 142 million bushels, or 17.8 million quarters, out of a total annual quota of 421 million bushels. Some major importing members have bought negligible quantities, and a few have bought nothing. If the price fell to \$1.55 a bushel IWA members could be obliged to take up their quotas in full. The test will come in the spring, when the prospective size of the new North American crops becomes reasonably clear. In the broadest sense, a fall to much below \$1.55 would harm importing and exporting countries alike.

Building Society Plans

CHAIRMEN of two leading building societies, both of which produced record figures last year, have been telling members of their hopes for further expansion this year. They are Sir Harold Bellman, of the Abbey National, and Mr Harry L. Score, of the Co-operative Permanent. After lending the record sum of over £19 million on mortgage last year, Mr Score reports that the demand for loans was such that much larger amounts could safely have been advanced had the funds been available. He puts forward a plea for a reduction in the housing subsidies applied to houses built by the local authorities to rent. A house financed by building society money and sold to an owner occupier is unsubsidised, a house built to let by the local authority carries subsidies from the taxpayer and ratepayer of at least £35 a year for 60 years. Mr Score points out that that subsidy is applied irrespective of need and that often the poorer paid worker is helping through rates and taxes to pay the rent of some one earning £1,000, £1,500 or occasionally even £3,000 a year.

The Abbey National Building Society also enjoyed record expansion last year, mortgage advances amounting to £38.4 million compared with £30 million, and total assets rising £154 million to £181.2 million. A feature of the Abbey National's expansion is that it has been achieved not only without any sacrifice of liquidity, but with an actual increase. The ratio of liquid assets to liabilities to the shareholders and depositors improved last year from 13.4 per cent to 13.7 per cent. The temptation to lend more liberally at the expense of liquidity must have been severe; Sir Harold Bellman's address makes it clear that the society is in a position to make good use of further savings entrusted to it. He, too, is looking forward to fresh fields for expansion. One of these may come from the proposal already under discussion between the societies, the local authorities and the Government for reducing the size of the initial deposit required from owner-occupiers. This receives his blessing. Another, which he calls "no more than the germ of an idea," is the possibility of the building societies supplementing the activities of the local authorities in the provision of houses for letting. This is certainly a novel idea for the building society movement, so long connected with the claim that to buy is better than to rent. It is a pity that he did not develop it.

SHORTER NOTES

The first results from a large departmental store, those reported by Harrods for the year to January 31st, are an encouraging foretaste of the results that can be expected from other retail traders after the end of Coronation year. The untaxed profits of the Harrods group have risen from £1,419,591 to £1,786,424, and, although taxation has increased from £868,870 to £1,111,892, its net profits have advanced from £550,721 to £674,532. The directors have not been slow in seeing in this increase in profits an opportunity to increase the equity dividend.

★

In the Business Note "Ice-Cream and Cinema Profits" in *The Economist* of February 6th, Messrs H. E. Browning and A. E. Sorrell of the Board of Trade were quoted as suggesting, in a paper to the Royal Statistical Society, that the cinema exhibitors in Britain, as a group, might have been able from film revenues to cover all costs "except the payment of rent." In fact, they had calculated that revenues would have been sufficient to cover not only the cinemas' operating costs, but also an allowance for operating profits of some 10 per cent of gross takings, a percentage that had been suggested by the 1952 report on Entertainment Duty of the Cinema Exhibitors' Association.

★

Marks and Spencer caused a flutter in the markets this week when its directors announced the second 100 per cent share bonus in the last two years. The company intends to issue one fully paid 5s. "A" ordinary share for every ordinary and "A" ordinary share in issue; at the moment the company has in issue £600,000 of ordinary shares and £3,932,492 of "A" ordinary shares, which have no votes. After the announcement the "A" shares made a net gain of 2s. 3d. to 8s. 6d.

Company Notes

BRITISH-AMERICAN TOBACCO. Of all company accounts those of British-American Tobacco, trading all across the world, must be one of the most difficult to prepare. Fluctuating exchange rates and the blocking of profit remittances must stretch accounting techniques for consolidation to the limit. The same facts pose for the shareholder the most difficult questions of interpretation. It would be a bold shareholder who could set a figure on the amount of the group's profits available for distribution—and his guess would probably be wrong.

The buyer of the BAT equity is therefore doing more than taking a stake along with Imperial Tobacco in the export trade. He is expressing belief that the directors will be as generous as they can when occasion serves. He must hope that a freeing of exchange controls will ultimately allow the directors to pursue a dividend policy that will bring

Perhaps because world-wide inflation has been damped down, the directors show less concern than formerly with the real cost of replacing assets and stocks, but they still state that sufficient profits have been appropriated to replacement reserves to maintain the "real capital of each company in the group," but the actual amounts appropriated have been reduced. From net profits, which have risen in line with the reduction in British taxation, the parent company has reduced its transfer to replacement reserves from £800,000 to £550,000, and its subsidiaries have reduced their appropriations from £4,500,000 to £1,800,000. Altogether subsidiaries appear to have retained £14,564,000, compared with £13,337,012 in 1951-52. A good part of these retentions may be the involuntary retention of profits impossible to remit through the tangle of exchange controls.

A further headache for the directors is the fluctuation in exchange rates. As a result of changes in the rates applicable to the conversion to sterling (for the purposes of consolidation) of the current assets and liabilities of certain overseas subsidiaries, the holding company has had to charge a "net resulting difference on exchange of £4,326,000" against devaluation reserve, which has thus been reduced to £6,704,000. In earlier years the company charged these exchange differences against trading profits but in 1952 these differences were negligible. In valuing the BAT equity, investors should note that this and similar perils are the lot of the international trading company.

	Years to Sept. 30, 1952	1953
Consolidated earnings:—		
Trading profit.....	42,231,431	42,297,000
Devaluation surplus*	1,047,243	598,000
British taxation.....	8,025,646	6,442,000
Overseas taxation.....	12,805,854	12,752,000
Net profit.....	18,606,523	20,111,000
Ordinary dividends.....	13,860,636	4,452,464†
Ordinary dividends (per cent).....	+10‡	12‡
Retained by subsidiaries	13,337,012	14,564,000
General reserve.....		225,000
Replacement reserves.....	800,000	550,000
Added to carry forward.....	301,750	37,194
10s. ordinary stock at 41s. yields 15 11s. per cent.		

* Transferred to stock and fixed assets replacement reserves.

the market valuation of the equity closer in line with the true value of the group's assets. Last year's share bonus, and the latest increase in equity payments, show that the directors are aware of the confidence thus placed in them. For the year to September 30th last they have declared a tax-free ordinary dividend of 12½ per cent, compared with an equivalent rate on the new capital of 10 5/6 per cent, tax free. In addition they have declared a tax free interim dividend for 1953-54 of 4 1/6 per cent, compared with 3½ per cent, tax free, the year before; but this rise in interim payments is designed merely to even out dividend payments over the current year.

The increase in dividends, which was in line with market forecasts, follows a year in which at worst the group maintained its share of world markets. Its trading profits are almost unchanged at just over £42 million, which suggests, in view of the rise in the cost of leaf tobacco and other costs, that the group added to the volume of its trade. Profits are struck after transferring to replacement reserves the devaluation surplus on the group's stock of dollar leaf tobacco; this surplus has fallen from £1,047,243 to £598,000, a natural consequence of the exhaustion of stocks purchased before devaluation.

	Years to Sept. 30, 1952	1953
Consolidated earnings:—		
Trading profit.....	7,346,028	9,192,364
Depreciation.....	1,476,838	1,631,150
Taxation.....	3,017,114	3,284,509
Net profit.....	1,798,290	2,807,051
Ordinary dividends.....	283,500	316,800
Ordinary dividends (per cent).....	15	16
Retained by subsidiaries	1,136,418	1,852,988
General reserve.....	200,000	100,000
Added to carry forward.....	20,485	276,084
Con. balance sheet:—		
Fixed assets, less depreciation.....	20,304,398	30,877,300
Net current assets.....	14,075,709	16,755,244
Stocks.....	19,378,404	17,005,688
Cash.....	3,304,389	4,572,828
Bank loans and acceptance credits.....	7,905,313	4,620,995
Reserves.....	11,600,459	13,903,111
Loan capital.....	13,009,869	24,944,178
Ordinary capital.....	3,600,000	3,600,000

liminary report. The preliminary figures discussed in these columns last week, revealed that trading profits, before all charges, had risen from £7,346,028 to £9,192,364, and that the equity dividend was to go up from 15 to 16 per cent.

The full report details even more impressive achievements.

The net book value of the group's fixed assets have risen by over £10 million to nearly £31 million and its total assets have risen by over £11 million to £66 million. By far the greatest part of this increase comes from the expenditure on the new mills in Tennessee; in the balance sheet "expenditure on mills and timberlands in the United States" is entered at £10,950,328, compared with £1,760,895 the year before. But another, though much smaller, part of the increase in fixed assets springs from capital expenditure to increase production in the group's plants in Britain, Canada and Scandinavia. The reduction of over £2 million in the group's stocks looks like small beer when set against those figures, but it does at least indicate how much easier it is for the group to operate now that raw material prices are more stable.

Stocks can be financed by short-term loans from the banks, but, now that the emphasis is much more on fixed capital expansion than on working capital commitments, a change in the group's financing technique has become discernable. It is beginning to rely more and more on long-term loans. It is no accident that, while bank overdrafts and acceptances have fallen from £7,905,313 to £4,620,995, secured and unsecured loan capital has risen from £13 million to nearly £25 million.

The group's development programme suggests high confidence in the long-term demand for newsprint and other papers. And this confidence is echoed in the directors' comments on more immediate prospects. Their paper mills in this country returned to full capacity working at the beginning of 1953 and they still continue to operate "on that basis and with full order books." In Canada, too, the group's mills operated at full capacity, but the adverse exchange rates between the Canadian and United States dollar, the further rise in costs, and the lower price of sulphite pulp, led to a fall in earnings. Speaking more generally, the directors remark that production at the mills both at home and abroad, including the new mills in the United States, has been sold for "some long time ahead, mostly under long-term contracts." Their confidence in the future is based on these forward sales and to the greater stability in the prices both of the group's raw materials and its finished products. Thus Bowater's equity can still be reckoned among the "growth" stocks.

ENGLISH ELECTRIC. An illustrated brochure from English Electric sketches out the industrial background against which the group's trading profits last year rose from £5,948,403 to £6,489,863. The full accounts by filling in the financial details help to explain why the directors decided, as was noted in these columns a week ago, to leave the equity dividend effectively unchanged. The principal reason, of course, is that this dividend is now servicing a capital enlarged not merely by the book-keeping transaction of a bonus issue but also by

a "rights" issue of new shares so that the higher earnings come from more money actually employed.

The consolidated balance sheet provides additional reasons for the dividend decision. It shows such an expansion in fixed and working capital that it seems inevitable (though not necessarily praiseworthy) that the directors should continue to rely on the modern policy of ploughing back profits. The net book value of the group's fixed assets have increased from £10,314,812 to £13,274,364, an increase that reflects not

	Years to Dec. 26, 1952	1953
Consolidated earnings:—		
Trading profit.....	5,948,403	6,489,863
Total income.....	5,995,648	6,540,708
Depreciation.....	1,121,968	1,262,460
Loss on interest.....	319,506	360,068
Taxation.....	2,909,516	3,226,023
Net profit.....	1,863,057	1,846,996
Ordinary dividends.....	418,013	535,233
Ordinary dividends (per cent).....	15	10*
Retained by subsidiaries	239,190	366,918
General reserve.....	600,000	580,106
Added to carry forward.....	57,562	3,898
Con. balance sheet:—		
Fixed assets, less depreciation.....	10,314,812	13,274,364
Net current assets.....	18,415,381	23,589,288
Stocks.....	28,146,589	29,147,193
Cash.....	928,322	892,959
Bank overdrafts.....	10,745,771	9,223,604
Reserves.....	15,091,270	12,459,655
Loan capital.....	7,570,517	9,879,118
Ordinary capital.....	5,308,097	10,616,193

* This rate is equivalent to the 15 per cent paid in 1952, before the capital was increased by the £1,769,365 rights issue and the £3,538,731 bonus issue.

only the progress of the development programme in this country but also the purchase of a controlling interest in Canadian Marconi last August. The development programme is by no means at an end, for outstanding contracts for capital expenditure are estimated at £3,499,285, compared with £2,377,600 in 1952.

That a rise in turnover has gone hand in hand with these developments is made evident by the rise in profits and by the increases in debtors and in stocks and work in progress. Before payments received on account have been deducted, the book

value of stocks has risen from £46,233,332 to £51,862,380, and after the deduction of these progress payments it has risen from £28,146,589 to £29,147,193. Last year's issues of equity shares and loan stocks has led to some improvement in the group's liquid resources; its bank overdrafts, for instance, have fallen from £10,745,771 to £9,223,604. Yet such is the rate of development that the group is still short of cash.

MONSANTO CHEMICALS.

The profits of the Monsanto Chemicals—the British subsidiary of an American parent—have made a brisk recovery from the 1952 recession, but they still fall short of the 1951 figures. The equity dividend has been stepped up, from 18½ per cent to 20 per cent, in line with this recovery, but this dividend also falls short of the rate of 22½ per cent paid in 1951. Last year, the sales of the British parent company rose by 9 per cent, from £9,954,289 to £10,852,854, and the trading profits of the British group as a whole rose from £1,476,400 to £2,354,084. This profit should be compared with that of £2,889,330 earned in the boom of 1951.

The increase in profits is ascribed to bigger sales, increased efficiency (presumably reflected in smaller manufacturing costs) and to a fall in the price of some raw materials (though, again, presumably not in the price of all of them). Much of the recovery in profits must have taken place in the last six months of the year for the half yearly report (to June 30th last) showed that net income before tax was only £488,886, compared with £608,183 in the corresponding period of 1952. But at least some profit margins must be lower than they were in 1951, for some selling prices are down and wages are up. In advance of the full accounts, due in April, the directors report that new construction has been kept in line with the increase in demand; a good part of these developments are being financed by loans from Canadian life assurance companies.

LONDON STOCK EXCHANGE

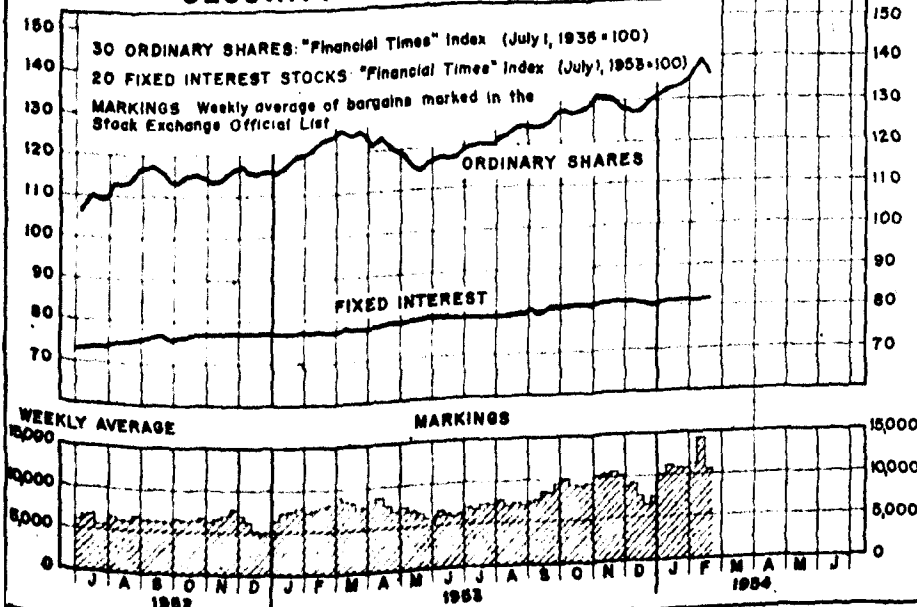
Next Account begins: March 3rd.
Next Contango Day: March 3rd.
Next Settlement Day: March 9th.

AFTER the initial adjustment to the £30 million issue by ICI, the stock markets began to improve again this week. Gilt-edged stocks were marked down quite sharply after the announcement of the ICI issue, with old Consols losing ½ to 64½, but later in the week prices resumed their advance, so that by the close on Wednesday the earlier losses were almost all wiped out. On that day the new Transport stock rose to a premium (of ¼ of a point) for the first time. In the foreign market German issues made further headway at the beginning of the week and then fell back a little on Wednesday. Perhaps the most active section in this market was Greek issues, which made a strong advance at first on the news that a Greek representative had arrived in this country to discuss a debt settlement.

Equities remained in demand this week, and by the close on Wednesday the *Financial Times* ordinary share index had risen to 137.4, compared with 136.2 a week earlier. Electrical equipment and aircraft shares were prominent; breweries also gained some ground following announcements of higher dividends. ICI were marked down at first on the news of the higher dividend and the new issue, but quickly more than recovered this lost ground. Marks and Spencer more than recovered earlier losses when the share bonus was announced. Harrods and other store shares improved on the news of Harrods' bigger dividend. "Bats," on the other hand, were marked up immediately after the news of the bigger dividend, but after a heavy bout of profit taking more than lost the ground that had been gained. Other tobacco shares also weakened.

A further improvement in oil shares was reported on Monday, when Anglo-Iranian touched 9½, but this advance was soon checked when profits were taken. Tea shares advanced all along the line in response to the rise in prices at the tea auctions. Kaffirs were in demand at the beginning of the week, but prices began to drift lower on Wednesday.

SECURITY PRICES AND MARKINGS



FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Feb. 17...	136.2	112.45	3.88	5.33
" 18...	135.8	112.47	3.88	5.34
" 19...	136.0	112.46	3.88	5.34
" 22...	136.5	112.33	3.89	5.32
" 23...	136.9	112.21	3.89	5.30
" 24...	137.4	112.25	3.89	5.28
1954, High (Feb. 9)	140.2	112.47	Total bargains 1954	
" Low (Jan. 1)	131.1	111.78		
1953, High (Nov. 4)	131.5	112.55	22	11,648
" Low (May 20)	113.9	105.68	23	10,219
			24	9,830

* July 1, 1935 = 100. † 1928 = 100.

Statistics

BRITISH		OVERSEAS	
Prices and Wages.....	Feb. 6th	Western Europe :	
Production and Consumption	Feb. 13th	Production and Trade.....	Feb. 6th
Manpower.....	Feb. 20th	British Commonwealth	Feb. 13th
External Trade.....	This week	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Feb. 20th
Industrial Profits.....	Jan. 23rd	United States	This week
World Trade.....		Jan. 23rd	

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1952		1953				1954
		1951	1952	1953	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
VALUE ⁽¹⁾											
Imports :											
Total	£ million	325.3	289.8	278.8	262.1	268.0	290.1	279.8	272.2	281.6	282.1
Food, drink and tobacco	"	n.a.	100.5	109.7	n.a.	n.a.	102.4	n.a.	n.a.	n.a.	114.1
Basic materials	"	n.a.	95.4	87.9	n.a.	n.a.	103.3	n.a.	n.a.	n.a.	87.2
Mineral fuels and lubricants	"	n.a.	28.2	26.2	n.a.	n.a.	27.6	n.a.	n.a.	n.a.	26.3
Manufactures	"	n.a.	64.0	53.5	n.a.	n.a.	54.7	n.a.	n.a.	n.a.	52.7
Exports of UK produce :											
Total	"	215.0	215.3	215.2	210.4	207.5	217.7	227.6	239.9	224.6	225.7
Manufactures	"	n.a.	178.5	174.9	n.a.	n.a.	176.3	n.a.	n.a.	n.a.	184.5
Re-exports	"	10.6	12.0	8.8	8.9	7.5	10.0	9.3	8.9	7.6	8.1
Balance of trade (exports less imports) ..	"	-99.7	-62.5	-54.7	-42.5	-52.7	-62.4	-42.9	-23.4	-49.4	-48.3
VOLUME											
Imports	1950=100	112.5	103.0	112.0	99.6	...	...	115	112	120	...
Exports	"	101.2	95.0	98.0	94	93	97	105	110	99	...
BY AREA											
Imports :											
Dollar area—total	£ million	64.5	60.1	52.9	45.5	43.9	45.0	55.4	51.5	51.1	...
" USA	"	31.7	26.2	21.2	20.8	18.7	26.6	19.2	21.7	23.4	...
" Canada	"	21.7	26.6	25.4	21.5	21.5	15.9	29.1	25.6	21.8	...
Non-sterling OEEC countries	"	84.0	71.4	64.1	62.2	64.6	67.4	67.4	63.7	65.5	...
Sterling area	"	116.5	119.8	125.3	126.5	132.7	140.8	119.5	123.8	124.2	...
Exports :											
Dollar area—total	"	28.9	31.4	33.7	32.3	28.8	31.5	34.2	34.9	31.7	...
" USA	"	12.8	15.1	14.3	13.3	13.6	14.1	14.7	12.0	13.5	...
" Canada	"	11.7	11.0	13.4	12.9	10.3	12.4	13.9	14.4	10.7	...
Non-sterling OEEC countries	"	56.0	58.3	62.5	59.4	61.0	63.5	68.4	67.7	58.9	...
Sterling area	"	110.8	107.0	105.8	100.7	97.9	107.5	112.6	121.5	116.8	...
Balance of trade (exports less imports) :											
Dollar area	"	-35.6	-28.7	-19.2	-13.2	-15.1	-13.5	-21.2	-16.6	-19.4	...
Non-sterling OEEC countries	"	-28.0	-13.1	-1.7	-2.8	-3.6	-3.9	+1.0	+4.0	-6.6	...
Sterling area	"	-5.7	-12.7	-19.5	-25.8	-34.8	-33.3	-6.9	-2.3	-7.4	...
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	337.7	325.3	335.2	289.8	324.9	261.6	345.0	275.1	336.8	238.4
Meat	"	39.9	45.5	63.2	31.7	29.2	46.9	57.5	66.3	54.8	57.1
Sugar, unrefined	"	186.8	164.6	248.6	112.4	161.1	134.0	285.3	251.0	277.6	337.2
Raw cotton ⁽²⁾	"	37.5	21.8	27.6	19.5	16.0	29.8	31.4	25.7	36.4	27.3
Raw wool, sheep's and lambs' ⁽²⁾	mn. lb.	36.0	52.0	63.8	81.1	68.4	102.7	34.1	55.9	57.3	70.4
Rubber, natural and synthetic ⁽²⁾	'000 tons	25.1	16.7	18.5	14.3	20.7	16.6	21.1	15.6	18.5	23.5
Softwood	'000 stds.	135.6	85.2	120.5	71.3	52.7	142.7	104.5	91.7	93.0	80.8
Woodpulp	'000 tons	139.3	119.9	134.2	133.0	165.2	120.9	171.6	149.0	183.8	151.0
Crude petroleum	mn. galls.	359	483	556	515	555	541	613	608	604	595
Exports of UK produce :											
Coal, including bunkers	'000 tons	961	1,254	1,400	1,183	1,237	1,370	1,627	1,587	1,525	1,361
Woven piece-goods—cotton	mn. sq. yds	72	59	59	63	61	65	58	65	61	58
" " wool	'000 sq. yds.	9,894	8,190	8,751	9,402	8,624	9,816	9,765	8,891	8,650	9,145
Passenger cars and chassis	number	30,717	25,819	27,244	21,174	17,619	21,850	25,706	21,618	24,288	26,408
Commercial vehicles and chassis	"	11,425	10,706	9,278	9,650	8,614	8,972	11,150	10,254	9,990	11,233
Agricultural tractors	"	9,388	8,745	7,788	6,377	6,374	8,219	8,836	7,308	7,063	8,471
Machinery—electrical	£'000	4,022	4,799	5,015	4,928	5,244	5,373	4,633	5,300	5,230	5,249
" other	"	26,245	30,346	28,762	29,867	30,317	32,687	28,311	30,770	30,599	32,704
Chemicals	"	6,533	6,774	5,987	6,629	5,644	6,261	5,936	6,476	5,971	7,609

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75½% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18·6½%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 14%, as forecast by Company. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 11½% after capital bonus. (o) Yield basis 9%. (p) Also 5% net capital distribution, not included in yield. (r) Yield basis 15% after capital bonus. (s) Yield basis 15½%, as forecast by Company. (u) Yield basis 7½%. (w) Also 2½% tax free out of capital profit, not included in yield. Yield basis 20%. (x) Yield basis 18·13% gross. (y) Yield basis 11½%.

New York Closing Prices

	Feb. 17	Feb. 24		Feb. 17	Feb. 24		Feb. 17	Feb. 24
	\$	\$		\$	\$		\$	\$
Balt. & Ohio.	20½	19½	Am. Smelting.	29½	29	Inter. Paper..	59	59½
Can. Pac.	24	23½	Am. Viscose.	35	35½	Nat. Distill..	18½	18½
N.Y. Cent.	24½	24	Col. of Amer.	20	20	Sears Roebuck	61½	60½
Pennsylv.	17½	17½	Chrysler	57½	57	Shell	87	87½
Amer. Tel.	160½	161	Gen. Elec.	95	96½	Std. Oil of N.J.	77½	77½
Stand. Gas.	12½	12½	Gen. Motor.	61½	62	U.S. Steel	40½	40
United Corp.	5½	5	Goodyear	56	56½	Westinghouse.	54½	54½
W. Union Tel.	42	41½	Inter. Nickel .	37½	37½	Woolworth....	43½	43½

* Ex dividend.

(1) The new classification of January, 1954, makes comparison only possible with some of the earlier figures. (2) Retained imports. (3) Average for fourth quarter.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1952 prices
	1947-49=100						1948=100			1939=100	\$	
1939	50.1	36.5	59.4	47.1	52.5	...	42	48	88	100.0	23.86	45.97
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	...	...	...	193.3	71.57	71.57
1953												
October	110.2	95.3	115.4	113.6	105.5	118.7	118	103	115	187.1	71.73	71.09
November	109.8	93.7	115.0	112.0	105.5	118.9	...	...	...	191.2	71.60	71.24
December	110.1	94.4	114.9	112.3	105.3	118.9	...	...	...	193.4	71.96	71.67
1954												
January	110.8	97.9	...	...	...	...	...	...	...	198.4	70.92	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted	Civilian employment *			
			Durable goods			Non-durable goods				Total labour force	Total employment	Unem- ployed as % of labour force	
			Total	Metals	Vehicles, etc.	Total	Textiles, etc.	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	2,720	62,966	61,293	2.7	
1953	367.2	134	153	132	188	118	107	147	2,904	63,453	61,929	2.4	
1953													
October	363.5	{	132	151	128	189	117	103	146	2,841	63,404	62,242	1.8
November			129	146	122	178	115	98	145	2,900	63,353	61,925	2.3
December			127	143	115	180	113	97	145	2,900	62,614	60,764	3.0
1954													
January	...	125	140	109	183	112	92	145	2,911	62,840	59,753	4.9	

TRADE

	Personal consumption Annual rates	All business		Total retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks*	Sales	Stocks*	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million			1936-38=100			
1939	67.5	10.80	20.05	3.50	5.53	190	62	41	260	139	94	113
1952	218.1	46.08	77.11	13.67	21.59	895	245	214	1,252	777	151	250
1953	229.8	48.83	81.03	14.23	22.64	...	...	...	...	...	...	...
1953												
September	230.0	48.65	82.00	13.98	22.92	928	226	212	1,227	833	162	246
October		48.28	81.81	14.04	22.72	821	210	200	1,236	824	145	246
November		47.57	81.27	14.10	22.44	841	...	...	1,231	...	...	...
December		47.29	81.03	13.92	22.64	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit†		Banking statistics‡		Budget expenditure§		Bond yields		
	Total	Labour income	Farm income	Total	Installment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum		
1939	72.6	45.7	4.5	7.22	4.50	23.4	17.2	9.0	3.9	0.023	...	3.01
1952	269.7	184.9	14.8	25.83	18.68	77.5	64.2	66.1	4.0	1.766	2.68	2.96
1953	284.5	198.9	12.4	28.90	21.81	78.1	68.3	74.6	9.4	1.931	2.93	3.20
1953												
October	287.2	200.7	11.9	28.17	21.49	76.8	67.1	5.5	2.8	1.402	2.83	3.16
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	284.7	197.7	12.6	28.90	21.81	78.1	68.3	6.3	1.2	1.630	2.79	3.13
1954												
January	...	...	...	...	...	...	...	5.1	0.6	1.214	2.68	3.07

(*) Third quarter. (†) Figures from January, 1954, have been revised on the basis of a new sample. (‡) End of period. (§) All commercial banks. (¶) Annual figures are totals for the fiscal year ended June 30th.

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 20th, there was an "above-line" deficit (after allowing for Sinking Funds) of £37,898,000 compared with a surplus of £58,597,000 in the previous week and a deficit of £13,328,000 in the corresponding period of last year bringing the cumulative surplus to £172,961,000 (£160,128,000 in 1952-53). Net expenditure "below-line" absorbed £8,893,000 which brought the total cumulative deficit to £186,933,000 (£348,234,000 in 1952-53).

	£'000	Esti- mate, 1953-54	April 1, 1952 to Feb. 21, 1953	April 1, 1953 to Feb. 20, 1954	Week to Feb. 21, 1953	Week to Feb. 20, 1954
Ord. Revenue						
Income Tax	1782,250	1485,435	1481,274	72,718	58,489	
Sur-tax	127,000	109,509	109,300	5,400	5,100	
Death Duties	150,000	134,150	145,308	3,300	3,400	
Stamps	52,000	44,350	49,500	800	700	
Profits Tax & E.P.T.	214,000	348,100	170,400	2,500	1,000	
Excess Profits Levy	99,500	1,250	58,750	250	1,700	
Special Contribution and other Inland Revenue	1,000	1,800	1,220	...	150	
Total Inland Rev.	2435,750	2124,585	2015,744	84,968	70,539	
Customs	1044,300	925,249	939,651	20,297	18,565	
Excise	680,480	687,233	680,600	13,970	15,670	
Total Customs and Excise	1724,780	1612,482	1620,251	34,267	33,635	
Motor Duties	69,000	66,572	72,165	...	...	
PO (net receipts)	2,685	...	9,600	...	2,400	
Broadcast Licences	16,000	11,900	13,550	...	...	
Sundry Loans	25,000	22,282	35,018	108	...	
Miscellaneous	95,000	97,633	105,550	516	1,882	
Total	4368,215	3935,434	3871,877	119,859	108,456	
Ord. Expenditure						
Debt Interest	615,000	528,470	533,965	44,063	52,779	
Payments to N. Ire-land Exchequer	48,000	36,450	42,060	...	...	
Other Cons. Fund.	10,000	9,966	8,808	254	...	
Supply Services	3586,266	3171,257	3084,565	88,570	93,102	
Total	4259,266	3746,144	3669,399	132,887	145,924	
Sinking Funds	...	29,182	29,516	300	430	
"Above-line" Surplus or Deficit	160,128	172,961	13,328	37,898		
"Below-line" Net Expenditure	508,362	359,894	9,286	8,893		
Total Surplus of Deficit	348,234	186,933	22,614	46,791		
Net Receipts from:						
Tax Reserve Certificates	74,939	32,844	16,586	6,278		
Savings Certificates	13,400	15,000	1,100	50		
Defence Bonds	48,785	34,650	2,306	252		

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts	Bank of England	
1953					
Feb. 21.....	2,870.0	1,441.5	270.8	1.8	4,584.1
Nov. 21.....	4,604.2*		268.8	...	4,873.0
" 28.....	4,620.5*		254.0	...	4,875.1
Dec. 5.....	4,674.4*		342.5		4,916.9
" 12.....	4,726.3*		283.1	2.3	4,966.7
" 19.....	4,759.0*		266.9	1.0	5,026.9
" 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	...	4,502.6
Feb. 6.....	3,040.0	1,362.5	226.0	...	4,628.5
" 13.....	3,040.0	1,303.8	265.7	...	4,609.5
" 20.....	3,040.0	1,331.9	293.5	...	4,665.4

* 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 in keen demand in Lombard Street in the week covered by the Bank Return. Market supplies were adequate only on Thursday before the week-end; throughout the rest of the week the authorities made special purchases of bills, nearly all of them indirectly through the banks. On Friday the official help was given just as a number of houses were about to seek relief at the penal rate; and on Monday it reached considerable proportions. Throughout the week April and early May maturities changed hands at 2½ per cent.

At last week's Treasury bill tender the market maintained its bid at £99 9s. 8d. for the second week in succession. The offer had been raised by £10 million to £240 million, but as applications rose by £29 million to a record level of £398.9 million, the market's allotment fell from 58 to 45 per cent. At yesterday's tender the offer was again raised by £10 million, to £250 million; apparent maturities next week will rise correspondingly, so that the excess of new bills will remain at £10 million.

The Bank return shows a further outflow of notes of £2.3 million; this brings the outflow since the end-January low point to £12.7 million, against £15.8 million in the corresponding four weeks of 1953. Government securities rose by £5.6 million, but other securities held in the banking department fell fractionally on balance. Bankers' deposits rose by £3 million to £284 million.

LONDON MONEY RATES

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

BANK OF ENGLAND RETURNS

	1953		1954	
	Feb. 25	Feb. 17	Feb. 24	
Issue Department*				
Notes in circulation	1,464.7	1,545.6	1,547.9	
Notes in banking dept.	35.6	29.8	27.5	
Govt. debt and securities*	1,496.8	1,571.8	1,571.8	
Other securities	0.7	0.7	0.7	
Gold coin and bullion	2.9	2.9	2.9	
Banking Department				
Deposits:				
Public accounts	9.8	13.3	10.9	
Treasury special account	44.6	4.7	4.7	
Bankers	292.6	281.0	284.0	
Others	68.8	64.1	65.9	
Total	415.8	363.1	365.5	
Securities:				
Government	372.2	317.7	323.3	
Discounts and advances	7.1	10.3	14.0	
Other	12.7	21.3	16.8	
Total	392.0	349.3	354.1	
Banking department reserve	37.3	32.2	29.9	
"Proportion"	8.9	8.8	8.1	

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,600 million to £1,575 million on January 27, 1954.

COMPANY MEETINGS

THE IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

ANNUAL REPORT AND ACCOUNTS

SIR ROBERT SINCLAIR'S REVIEW

The fifty-second annual general meeting of The Imperial Tobacco Company (of Great Britain and Ireland), Limited, will be held on March 23rd in Bristol.

The following is the statement by the chairman, Sir Robert Sinclair, KCB, KBE, which has been circulated to stockholders with the report and accounts for the year ended October 31, 1953:

I will first refer to that paragraph in the report which under the heading of Directorate records two changes in our board—the resignation of Mr H. S. Burn and the appointment of Mr P. G. Cardew.

Before joining the company in 1925 Mr Burn had had a wide experience in mechanical and civil engineering, and I would like to pay a warm tribute to the great contribution which his technical knowledge, ability, and energy made to the improvement of our buildings and plant during the 23 years he served as our chief engineer. He has, moreover, been a most valuable member of our board since 1938. It is a matter of regret to us all that the time for his retirement from the board has come.

Mr Cardew has for some years past been concerned with the management of our large printing and box-making subsidiary, Mardon, Son and Hall, Limited, and two years ago became its chairman: his ability and his experience of that side of the group's operations will be of great advantage to our board.

The outstanding features of the accounts may, I think, be briefly summarised as follows. The trading profit of the parent company is virtually unchanged from last year; income from dividends and investments is slightly more; and owing mainly to the reduced provision for taxation the net profit after taxation shows an increase of £395,000. The consolidated trading profit shows an increase of £774,000, and the consolidated net profit after taxation an increase of £893,000. The parent company's stock-in-trade is up by £3,682,000; that of the group by rather less. Apart from the amount for future income tax and the small balance carried forward in profit and loss account, the addition to the reserves of the group out of this year's profits amounts to £3,260,000, which includes £2,796,000 for the parent company. With the final ordinary dividend now proposed, the distribution to stockholders before tax will be maintained at the same level as last year.

I would now like to elaborate on some of these points.

TRADING PROFIT

As I suggested a year ago might be the case, the parent company has maintained its trading profit. No one, I think, would dispute that the tobacco trade, beset as it has been by an inordinately high rate of duty, by considerable increases in costs, and by recurrent scarcity of leaf supplies, has had its fair share of trading difficulties in these postwar years—some would say more than its fair share. The year under review saw no real lessening of those difficulties; and in all the circumstances the trading results now before you may be considered satisfactory.

The volume of our cigarette and tobacco trade was well maintained throughout the year. Indeed, the demand for some of our leading brands continued to exceed the supplies that we were able to make available on the basis of our restricted stocks of tobacco. This evidence of the goodwill attaching to the company's products leads me to pay tribute to our manufacturing branches for their continuous efforts to maintain the quality of their goods at the highest possible level while at the same time pursuing every means of securing greater efficiency of production.

SUBSIDIARY COMPANIES

Our principal subsidiary companies are engaged in the production of carton and other boards, cigarette paper and fine tissues, packaging and printing. Although their primary function is to supply the requirements of the company's tobacco and cigarette manufacturing branches, they also have an extensive and growing trade outside the group. Fluctuations in raw material prices substantially affected their profits in 1951 and 1952—in 1951 favourably, in 1952 adversely. During the year now under review raw material prices in the paper and board industry were on a more stable basis: in the result the subsidiary companies' trading profits—though naturally well below the 1951 level—show in the aggregate an appreciable increase over 1952, and are, in fact, very close to those achieved in 1950.

Note 3 (b) on the accounts refers to the acquisition by a subsidiary company of a substantial interest in a printing business trading abroad. The subsidiary concerned is Mardon, Son and Hall, Limited, and the overseas business in which they have acquired an interest is that of Lawson and Jones, Limited, who have a large and progressive printing business in Canada. The consent of the Exchange Control authorities was obtained. Having regard to the great potentialities for expansion in the Canadian economy, this investment should prove a valuable asset to the Mardon Company.

The directors' report refers to the acquisition during the year of the share capital of J. and H. Wilson, Limited, of Sheffield. This is an old-established business whose brands of snuff have for many years past been held in high repute. The business will continue to operate in Sheffield.

STOCK-IN-TRADE

The value of the parent company's stock-in-trade shows an increase of £3,682,000. Our purchases of leaf tobacco during the year slightly exceeded our usings, so that our bonded leaf stocks at the end of the year stood slightly above the low level to which they had fallen a year earlier. Leaf prices in most of the world markets unfortunately showed a further increase in 1953, and this contributed to the rise in stock values. The combined effect of these factors would have been even greater but for the fact that in the more stable conditions that prevailed we reduced our inventories of packing materials and stores, and also had rather smaller factory stocks of duty paid manufactured tobacco at

October 31st last than on the corresponding date a year earlier.

I referred a year ago to the fact that we had had to curtail our purchases in America very substantially because of lack of dollars and in some of the sterling area countries because of short crops. The result was that by the middle of 1953 our stocks were very close to the minimum on which we can maintain our trade. Unfortunately, Southern Rhodesia, which is the principal sterling area source of flue-cured tobacco, once again suffered from unfavourable weather and we were not able to buy there as much as we had hoped, but our purchases in America were rather greater than the abnormally small purchase of the previous year. Moreover, late in the 1953 season—too late for this to be reflected in the accounts before you—we were able to buy for sterling, under the provisions of the USA Mutual Security Act relating to surplus agricultural commodities, some further supplies of American tobacco. This is a very welcome addition to our depleted stocks, and gives us a slight insurance against further crop failures.

We have, and have had for many years, our own leaf buying organisation and a number of redrying plants in the USA and Canada. In these days of dollar shortage, when the need to secure the best possible value in our leaf purchases is in a sense doubly important, the high degree of efficiency attained by that organisation is one of our greatest assets.

The extra purchase of USA tobacco for sterling to which I have referred will in no way affect this country's purchases of Commonwealth tobacco, and assurances to this effect have been given to the principal producing countries within the Commonwealth. A delegation of the Southern Rhodesian growers recently visited this country for discussions with the leading manufacturers on their purchasing programme. These discussions were helpful to both sides, and served to illustrate the value of regular consultation between manufacturers and the representatives of the growers in the principal producing areas. I am very glad to say that so far the prospects for this year's crops in the Rhodesias and Nyasaland encourage hopes that it may be possible to buy larger quantities of suitable tobacco than were obtainable from the 1953 crops.

By virtue of our greatly extended leaf handling factories and timber estates in Southern Rhodesia and Nyasaland we have a considerable stake in the future of Central Africa. It is therefore perhaps not out of place for me to say how glad we were to see the successful establishment of Federation, which, under the wise and able leadership of Sir Godfrey Huggins, will surely make a good start in its task of bringing economic strength and stability and steady development to the three Central African territories.

CAPITAL AND RESERVES

I have stated before that unless we could be assured of a long period of lower prices, we must aim to transfer from revenue to reserve probably at least £2-£3 million each year to assist in meeting the replacement cost liability and our considerable needs of finance. There is no sign yet of any recession in the

general level of prices, and our leaf stocks next year will require still more finance. Your directors have therefore transferred to general reserve £2,796,000 out of the parent company's profits, £733,000 no longer needed as a provision for excess profits tax and the £471,000 over-provided for income tax in last year's accounts (arising from the subsequent reduction of 6d. in the standard rate). The combined addition to the parent company's general reserve this year is accordingly £4 million. The aggregate addition to the group's reserves (apart from reserves for future income tax) is approximately £4,600,000. This is a large sum but about one quarter of it derives from amounts provided in past years for taxation, and I have no doubt of the wisdom of making this provision.

The balance sheet discloses an increase in our short-term indebtedness, the parent company's bank overdraft being nearly £2 million higher than at October 31, 1952. At the latter date, however, our borrowings were reduced because of the relatively small leaf purchases that we were able to make in 1952, and the increase at October 31, 1953, is more than accounted for by the fact that we were able during the year slightly to strengthen our stock position. From what I have said earlier about stock-in-trade you will see that there may well be a further increase in our borrowings during the current year. The financing of the operations of a company such as ours—with a turnover close to £600 million a year—is in present conditions of taxation a considerable problem; and I use the term "present conditions of taxation" to cover the tobacco duty, income tax and profits tax. I will refer later to the question of tobacco duty. As regards income tax, we in common with other industrial concerns were thankful for the limited relief that the Chancellor of the Exchequer felt able to give in his last budget. Even with this relief, however, our charge for United Kingdom income tax and profits tax amounts to £12,750,000. And it is still the case that British industry is severely handicapped in the maintenance and improvement of its assets by the great burden of national taxation. Yet it is upon those assets—the factories and shipyards and mills and all the stocks of raw and finished materials they require—that the prosperity of the country and the employment of the people largely depend. This simple truth bears constant repetition if only because of the apparently widespread belief that industry can continue indefinitely to provide these enormous sums in taxation without any ill effects on our national economy. There is perhaps a wider recognition today that if this country is to survive as a great industrial power we have both to increase our productivity and to keep our costs down. It is less well understood that the greatest single contribution that could be made to the attainment of these objectives would be through a further reduction in the present burden of taxation.

DIVIDENDS AND THEIR REAL VALUE

It is true of this company, as of many others, that it has not yet been able under existing taxation to set aside by transfers to reserve from profits enough to meet the replacement cost liability and to finance the more expensive stocks required to maintain its business. It is also true that while there has recently been some rise in dividend distribution generally, though not in this company, the real value of the total amount of dividends distributed is appreciably less than it was before the war. (There are, no doubt, exceptions to this general statement but as a general statement it is true.) By real value I simply mean the value as adjusted by the reduced purchasing power of the £. I will not here go into elaborate calculations, but content myself with saying that the official estimates of the national income show that

between 1938 and 1952 gross interest and dividends of companies and public corporations increased by about 60 per cent, while retail prices over the same period increased by about 120 per cent. This means that the real value of gross dividends and interest in 1952 was at least 25 per cent lower than in 1938. If tax is taken into account the real value of net dividends and interest in 1952 was only about half the 1938 value. The aggregate of dividends and interest in 1953 is not yet known: it was probably higher than in 1952 but certainly not to an extent that would materially affect the validity of the general comparison I have drawn.

The figures which I quote are of course national figures. There must be considerable variations between different companies and different industries; in our case, through circumstances of which you are well aware, restrictions of leaf supplies and a very high rate of duty have severely limited our possibilities for expansion since war began. Our gross dividends have been in recent years slightly less than they were before the war; after tax they have been appreciably less.

The picture that I am here endeavouring to present to you is that taxation has prevented many industrial companies from making adequate provision from their own resources for the higher cost of replacement of fixed assets and for the additional finance needed to carry more expensive stocks, and that in general the value of the dividends distributed in terms of purchasing power is very much less than it was before the war.

If such facts and figures were more widely understood—and a recent statement by the Chancellor of the Exchequer in the House of Commons and the speech of Lord Balfour of Burleigh at the annual meeting of Lloyds Bank both gave most welcome publicity to the point—we should have less complaint of so-called high profits and large dividend distributions. There are, as I see it, no grounds for the suggestion that, looked at in terms of encouragement to saving or a reasonable return on risk capital, dividends in general are too high.

GIFT TO EMPLOYEES

As will be seen from the report, the directors have again decided to recognise loyal and efficient service by making a gift to employees over and above their ordinary salary or wage. The conditions of the gift are unchanged. It is paid as a percentage on total salary or wage received during the year ended October 31, 1953. This year the rate will again be 13 per cent. The directors reserve to themselves a discretion to grant or withhold a share in the gift in any case that may appear to them to require exceptional treatment.

A gift of this character has been paid to employees for many years now. In some years the rate has been higher than in others, and of course regard must be had to movements in wages and salaries and to the company's general prosperity. I have always regarded the gift as a mark of special recognition of the part that the employees play in the whole field of the company's operations, and I believe that it has helped in no small measure to strengthen the good relations that have existed for so long among all ranks in the company's employ.

SMOKING AND HEALTH

Turning now to more general matters—I referred in my statement last year to the suggestion of a possible relationship between smoking and cancer of the lung that had been made on the basis of certain statistical enquiries. As many stockholders will have seen from the Press, the Minister of Health has recently made public a report on this subject submitted to him by his Standing Advisory Committee. We and other leading tobacco

manufacturers felt it necessary at once to issue a statement outlining the position as we see it. The main points of the manufacturers' statement were that a statistical relationship, even if established beyond all doubt, could not do more than indicate one of the lines to be further investigated; that there is no proof that smoking is a cause of this disease; and that there are a number of facts which point to a contrary conclusion and which cannot be ignored—such facts as that the disease occurs among non-smokers; that the proportion of smokers who contract it is very small indeed; and so forth. This is very much what I said a year ago. Indeed, nothing whatever in the way of proof in this matter has emerged during the past year.

This leads me to the question of research. The company will of course maintain its own chemical research into the constituents of tobacco and tobacco smoke; we shall continue to keep in the closest touch with all investigations and developments in this country and elsewhere; and, as we have always done, we shall do everything possible to maintain the purity and quality of our products. But tobacco manufacturers cannot themselves undertake medical research. The essential thing is that medical science should discover as soon as possible the true cause or causes of lung cancer. We knew of course that medical authorities have been studying various factors that might possibly contribute to the development of the disease, and towards the end of last year the leading tobacco manufacturers came to the conclusion that it was in the best interests of their companies and their stockholders as well as of the public that they should help in hastening medical research into this particular problem. We therefore jointly decided to establish a fund of £250,000 in aid of research into the cause of lung cancer, and to put that fund at the disposal of an impartial body such as the Medical Research Council to be used in whatever ways seemed to them to be best for the purpose.

I recognise the public concern that may have been caused by some of the recent statements. I also recognise our responsibility. It is with full regard to that responsibility that I feel bound firstly to emphasise that there is no proof that smoking is a cause of lung cancer, and secondly to say that in relation to the present state of scientific knowledge there has been much exaggerated comment about this matter—comment that has appeared to ignore the very important reservations contained in the official statements.

DISTRIBUTION

Before I conclude this review I should like to refer to some of the problems of distribution that have fallen to our lot in recent years. During virtually the whole of the postwar period we have been in the position—because of restricted leaf supplies—of not being able fully to meet the public demand for some of our most popular brands. This has meant that we have had to maintain a system of rationing supplies of these brands to our trade customers throughout the country. You may imagine what an immense task this has been, and how thankless it must often seem. In the conditions that I have described, and in spite of all the efforts we may make, some degree of maldistribution is unavoidable; and this accounts for the fact that supplies of our brands may at times be harder to come by in some localities than in others. Our branches have taken an infinity of pains to try to distribute their available supplies as fairly as possible in the light of population changes and other factors, but so long as the present situation holds they cannot hope to satisfy all the many appeals for additional supplies that are made to them. We do, of course, get our quota of grumbles, but I am sure that the great majority of distributors—and I hope that this is true also of the

many millions of consumers of our products—understand our difficulties and recognise that we have done our utmost to deal fairly with these problems.

THE OUTLOOK

There are three main factors to consider—the availability of leaf tobacco supplies, the trend of costs, and the demand for our products.

As regards leaf tobacco supplies, with the limited but very welcome improvement in the country's gold and dollar reserves it does not seem unreasonable to anticipate that we can purchase at least a year's requirements of dollar tobacco at the 1954 crop auctions. Similarly, we hope that the crops in Central Africa and the other sterling area sources will be such that we can make an adequate purchase this year. I have, therefore, some reasons to think that in a year's time our leaf stock position may be a little better than it has recently been.

The picture as regards costs is less encouraging. The cost of leaf tobacco, as already indicated, has risen further, and so have wages and various other charges. We shall do our best to offset these extra costs by progressive improvements in manufacturing efficiency, and we shall certainly not have recourse to any increase in price to the public unless and until this is absolutely imperative.

Demand for the company's brands, as I have said, has been well maintained. Their reputation today, I believe, stands as high as ever, and we shall continue to do everything in our power to maintain it.

Taking a broad view of all these factors, I would hope that the current year's trading will show results not very different from those now before you, although we cannot expect an increase in profits and we cannot count this year on any advantage by way of previous tax provisions no longer required. I wish that I could encourage hopes of a substantial expansion in our business, but it would not be realistic to do so while the present rate of Tobacco Duty drags so heavily on the industry. I make no apology for again stressing that if the rate of duty is maintained much longer at its present level it must inevitably bring about a contraction of consumption with consequently diminishing returns to the revenue. Consumption of tobacco and cigarettes in this country, as I emphasised in my statement last year, is by no means high compared with the level of consumption in various other countries. But if the present rate of consumption is to be maintained the duty will have to come down; and it will, in my judgment, be to the interests not only of the trade but of the national economy also if a first step in that direction is taken at the earliest practicable time.

GOLD COAST MAIN REEF, LIMITED

The twentieth annual general meeting of Gold Coast Main Reef, Limited, was held on February 24th in London.

Major General W. W. Richards, CB, CBE, MC, chairman of the company, presided, and the following is an extract from his statement circulated with the report and accounts:

The profit for the year ended June 30, 1953, was £81,622. Dividends aggregating 7½ per cent were distributed for the year and an interim payment of 5 per cent has been made in respect of the year ending June 30, 1954.

Full details of the year's operations are contained in the reports from our general manager, Mr Frank Clelland, and our consulting engineers, the West African Gold Corporation, Limited.

The ore reserves at June 30, 1953 (including ore in pillars), were computed at 398,918 tons, averaging 8.64 dwts per ton over a width of 66.4 inches. Ore added to reserve during the year was less by 6,152 tons than the total extracted.

Taxation bears very heavily on our company. Profits tax and income tax for the year absorbed no less than £45,002.

While looking forward with confidence to a continuance of profitable operations for many years to come, we are by no means complacent; and measures have been planned with a view to increasing the productivity of the mine so soon as the present underground development programme matures.

The report and accounts were adopted.

The chairman announced that the second interim dividend for the current year and a first interim dividend in respect of the next year would be declared in the autumn.

SUN LIFE ASSURANCE SOCIETY

RECORD PREMIUM INCOME

MR C. G. RANDOLPH'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63 Threadneedle Street, London, E.C.2, on Tuesday, March 23, 1954. Mr C. G. Randolph, chairman of the Society, has issued a statement to shareholders, which in outline is as follows:

FUNDS, INCOME AND OUTGO

During the year the total funds of the Society increased by £6,835,000 and now stand at £95,974,000, of which the Life Assurance Fund accounted for £83,437,000. The life premium income was £12,476,000 and exceeded by more than £750,000 the record figure achieved in 1952.

The gross interest income of the Life Assurance Fund was £3,464,000, representing a gross rate of 4 8s. 3d. per cent, which is an increase of 3s. 7d. per cent above that for the previous year and the highest gross rate obtained on this fund since 1940.

The mortality experience continues to be favourable, and notwithstanding the rapid growth of the business, the claims by death at £2,270,000 were only slightly more than in the previous year and were actually less than the total for 1951.

NEW BUSINESS

The life assurance new business secured during the year consisted of 25,983 policies and sums assured of £39,077,000, all of which was obtained from our connections in the United Kingdom. This large total once again illustrates the important part played by life assurance as a vehicle for national savings.

Our rates of premium for new assurances have been reduced several times since the war to give effect to improving mortality experience and to the higher yields obtainable on new investments. I am glad to be able to inform you that the directors have been able to announce further reductions in recent weeks in the rates for whole life and endowment assurances without participation in profits and these are a reflection of the Society's endeavour to remain highly competitive. Also, substantial reductions have been made in the rates for policies to cover building society mortgages; these policies provide that if the death of the borrower should occur during the currency of the mortgage, a sum assured

sufficient to repay the outstanding balance shall be payable.

HOUSE PURCHASE

The Society has for many years regarded house purchase loans as a highly satisfactory outlet for part of its rapidly growing funds and has by this means, we believe, contributed towards solving the housing problem. Our house purchase scheme ensures the automatic repayment of the loan in the event of the death of the borrower and attractive terms are offered.

PENSION SCHEMES

We have again been very successful in arranging pension schemes, of both the endowment assurance and the group pension types, for companies of various sizes and in many branches of industry. Our specialised staff with the experience which has been accumulated over many years is able to give clients the best possible advice and service and to ensure that the schemes are drawn up in such a manner as will enable the tax advantages allowable to be secured.

GENEROUS TERMS OF SELECTION

It is over 50 years since the Society introduced the system of life assurance without medical examination, and we are able to offer assurances under this plan at the ordinary rates of premium and on the same terms as for assurances with medical examination, so that completion of business can be effected with the least inconvenience to the public and with freedom from irritating delays.

The Society has a reputation, which we believe to be well deserved, for offering generous terms for assurances on the lives of persons who are under average from the medical standpoint. This factor has for long been of particular importance to individual proposers for life assurance; it is the more so today to employers who wish to arrange pension schemes and who are naturally concerned to ensure that so far as possible all members of their staff who join the scheme shall have the benefit of the life assurance cover.

BONUS RATES

It is hardly necessary to point out that the improvement in the rate of interest earned on the funds, the continued favourable mortality experience and the reduction in the expense ratio have a most important bearing on the profit-earning capacity of the Society. These encouraging features have made it possible to increase substantially the rates of interim bonus in respect of "with profit" policies becoming claims by death or maturity, or terminating by surrender, after December 31st last.

INVESTMENTS

I am glad to be able to state that the market value of our stock exchange investments as at December 31st last substantially exceeded their balance-sheet value, after allowing for the investment reserve fund. The principal increases in the assets set forth in the balance sheet are £2 million in mortgages, mainly due to house purchase loans less repayments, £2 million in British Government guaranteed securities, £2½ million in debentures and £1 million in ordinary shares.

TRIBUTE TO STAFF

The figures that are presented really speak for themselves, but I should like to pay tribute once again to your staff, who, from the general manager downwards, are indeed to be congratulated and thanked for their loyalty and service to your Society during the last year.

CO-OPERATIVE PERMANENT BUILDING SOCIETY

A YEAR OF GREAT PROGRESS

The seventieth annual general meeting of the Co-operative Permanent Building Society was held on February 20th at the Conway Hall, London.

The President, Mr Harry L. Score, in the course of his address, said:

IMPROVEMENT IN SAVINGS

In the course of my address 12 months ago I ventured to suggest that the people of Britain were not quite so thrifty as was sometimes made out, and that there was evidence of substantial saving, as well as evidence that the net increase in savings would grow in volume. In the intervening months events and opinions have confirmed that view. Economists and financial writers have discerned a slight overall improvement in the savings position; the National Savings Movement has fared somewhat better and sees grounds for greater confidence in the situation; and certainly building societies have received more savings and investments than in 1952, whilst at the same time withdrawals have remained remarkably stable. In our own case share subscriptions exceeded £19 million, and our share balances increased by £13 million to stand at more than £70 million at the close of the year. There was a fall in deposit balances of £1,760,000.

The increased flow of savings to the society, coupled with the regular repayment of mortgages, made it possible for us to undertake a large programme of home financing. Mortgage advances exceeded £19 million, and I am happy to assure you that from the security point of view no undue risks were taken, nor was any intending borrower encouraged to take on commitments beyond his means. Such was the demand for loans that had the funds been available the society could safely have made advances of a very much larger amount. It will be seen from the accounts that of the loans made over 14,000 were for amounts not exceeding £2,000. The overall average of all mortgage advances made was little more than £1,200, and bearing in mind present-day house property prices these figures indicate how well spread and how little is the risk.

INCREASED TURNOVER AND MEMBERSHIP

Members will observe that on December 31st investments in British Government and Municipal securities, all of which are repayable at fixed dates, possessed a market value of £239,000 in excess of the book value. The total revenue for the year was £3,596,000. The sum of £639,000 was absorbed by management expenses, £199,000 by interest on deposits and loans, and £930,000 by income tax and profits tax. The balance carried down, together with the amount brought forward and the profit on investments realised, amounts to £1,858,000. After crediting interest to shareholders at the rate of 2½ per cent per annum, there remains £340,000, of which £95,000 has been appropriated to the general reserve (Account No. 7), which brings this reserve to more than £3 million. £59,000 is appropriated to the mortgage reserve account, and the sum of £185,000 is carried forward—an increase of £50,000 over the amount brought forward from last year. As will be seen from the summarised figures in the balance sheet, the three reserve accounts, together with the

balance carried forward, now amount to £3,400,000. The total assets, at £86,674,000, show an increase of nearly £12 million on the year. It is perhaps worth noting that the total funds of the society have doubled since 1946. It is also gratifying to observe that since that date our membership has increased considerably, the number having risen from 184,000 to 294,000.

TIME FOR SUBSTANTIAL REDUCTION IN SUBSIDIES

In the first place, every penny that goes into building societies for use in financing house purchase is relieving the Government of the necessity of providing capital monies for local authorities to build houses for letting or to make loans to purchasers under the Small Dwellings Acquisition Acts. It is therefore not surprising that the chairman of the National Savings Committee, Lord Mackintosh of Halifax, should have said recently that he did not regret withdrawals of national savings which were reinvested in building societies to enable someone to put down the deposit to enable them to buy their own house.

Not only does an increase in the number of houses built for owner-occupation reduce the Government's capital commitments, but, as is by now well known, there is also a considerable economy in housing subsidies. It is not always appreciated, however, just how big those subsidies can be, especially in our large cities. The subsidy of a single dwelling house is now £35 12s. per annum for 60 years, but where flats are built on expensive sites the annual grant is considerably more. Where, as happens in the London region, flats are erected on land valued at about £10,000 per acre, the annual subsidy amounts to £96 19s. per annum for each flat and on more expensive sites the subsidies may amount to as much as £120 7s. per annum. If I can put it another way, it is that a flat in a block with lifts, on land at £10,000 an acre, draws a subsidy equal to a capital value of £2,094.

Altogether some 250,000 houses and flats were built by local authorities during 1953. In respect of each of these dwellings the taxpayer and the ratepayer were committed to at least £35 a year for each of the next 60 years. For whose benefit are these sums applied? The truth is that they are applied indiscriminately, and irrespective of financial need, to those to whom local authority dwellings are allotted. When slum clearance and overcrowding were being tackled prior to 1939 subsidies were confined to the replacement housing of people who could not afford to pay economic rents. There was general acceptance of that position. It was considered just that the man earning £1,000 a year should make some contribution through taxation and rating towards the housing of the lower-paid weekly wage earner. We have now reached the curious position (which no political party can seriously defend) where the lower-paid weekly wage earner is not infrequently helping (through rate charges and indirect taxation) to pay the rent of someone receiving £1,000, £1,500 or, in isolated cases, as much as £3,000 per annum. Strong feeling is being expressed in particular about the increasing rates burden.

In 1938 the number of houses ranking for subsidies was less than 100,000 per annum. The time has now come to face this problem

of costs far more resolutely than has been done up to now. The solution is to encourage home-ownership to a point where at least 200,000 houses per annum are being built for owner-occupiers.

NEED FOR LOW DEPOSITS

It is encouraging to learn that efforts are now being made by the government to stimulate more home-ownership, and to make it possible, by guarantees, for building societies to lend larger proportions and thus enable people with small amounts of capital to buy their houses.

It is perhaps not generally appreciated that one of the many changes which have resulted from full employment is that people are marrying much earlier than they did prior to 1939. In 1938 the number of men in England and Wales marrying between the ages of 21 and 24 was 106,000. The number of those marrying between the ages of 25 and 29 was 138,000. Today, these numbers are almost reversed, 131,000 marrying between 21 and 24 in 1951, and 102,000 between the ages of 25 and 29. The number of women marrying under 21 was 59,000 in 1938, and had risen to the very high figure of 92,000 by 1951. These figures clearly denote the change. They are significant from the point of view of encouraging home-ownership, because although regular employment (and therefore regular wages) encourages marriage at an earlier date, young couples have less time in which to save the capital necessary both to furnish a home and to put down the deposit needed. Nevertheless, there was probably never a time when young people could be encouraged with greater confidence to buy their homes than today. If this were not so, social security would be meaningless. Building societies have been pleasantly surprised in the post-war years by the number of people who have been able to put down deposits for house purchase of amounts varying between 10 per cent and 25 per cent of a present-day purchase price, and as I have already said earlier in my address there is no lack of applicants coming forward at the present time. But we must endeavour to keep the situation in perspective. In 1953, according to the Ministry figures, some 60,000 houses were built for sale. I am suggesting that roughly four times that number should be sold each year. That means that smaller deposits must be required and a scheme to enable loans of up to 95 per cent to be made will be welcomed by this and many other societies.

MR CHARLES RUNCORN'S SPEECH

In seconding the president's resolution, Mr Charles Runcorn said:

Twenty years ago the assets of the society were approximately £17 million. Today they are £87 million, an increase of £70 million. In other words, a five-fold expansion since February 13, 1934.

The reserves 20 years ago totalled £501,000. Today they amount to more than £3,400,000. Thus in spite of high taxation during the past 12 years or more, the reserves are almost seven times greater than they were.

I feel sure you will all agree that the comparative figures are both remarkable and impressive and indicate the extraordinary progress and development of the Society.

The report and accounts were adopted.

INDIA RUBBER GUTTA PERCHA AND TELEGRAPH WORKS

CURRENT TRADING IMPROVEMENT

The twentieth annual general meeting of The India Rubber Gutta Percha and Telegraph Works Company, Limited, will be held on March 18th in London.

The following is an extract from the circulated statement of the chairman, Sir Eric C. Mievile, GCIE, KCVO, CSI, CMG:

In my statement last year, I indicated that the then prevailing adverse business conditions in both the domestic and overseas markets were likely to result in a contraction of our turnover and, consequently, less favourable profits in the current year's trading. Such has proved to be the case. The contraction, which resulted from progressive reductions in the selling prices of many of our products following the fall in the cost of our basic raw materials, together with a decrease in volume demand, continued throughout most of the year. The recession in trade, which was felt in many industries, has at the moment been halted and there is now increased demand for your company's products. Wage rates in our industry have, however, recently been increased, and labour costs are a large factor in some of our more specialised lines.

The profits of the year were adversely affected not only by the lower turnover, but by very keen competition, particularly in the export field. This can be met only by producing goods of the highest quality at the lowest possible cost, and our activities are constantly directed towards achieving this objective.

The profit for the year, before taxation, was £216,572, as against £357,019 in 1951-52—a fall of 39 per cent. If we recall that the profits for the years 1950-51 and 1951-52 were, in many ways, exceptional, due to inflationary influences, and look at the average profits for the years 1945-50, about £158,000, the profit of the year under review may be regarded as reasonably satisfactory.

ALLOCATIONS AND DIVIDENDS

UK taxation, at £110,771, is not much more than half the amount required in the previous year. From taxed profits, your directors have allocated £50,000 to general reserve and £50,000 to the reserve for contingencies. The dividends proposed are the same as last year, namely, the fixed dividend of 6 per cent on the preferred ordinary shares, plus an additional 2 per cent and the fixed dividend of 6 per cent on the ordinary shares, plus an additional 3 per cent less income tax. A balance of £222,182 remains to be carried forward, against £210,241 last year. The substantial reserves which have been built up over a period of years have provided your company with strong financial resources, which will be required for the modernisation of plant and equipment now in hand.

In regard to the current year, as I have indicated, conditions already show some improvement. Our sales in the first four months are in advance of those of the same months of 1952-53, and our order book is at present more healthy. The high quality for which the wide range of Silvertown and Palmer specialised products has for so long been justly renowned, continues to be well maintained, and the progress towards increased efficiency and greater productivity, for which we are constantly striving, and the development of new and improved products now in hand, encourage us to face the future with confidence.

BRITISH TYRE & RUBBER COMPANY

ENCOURAGING TURNOVER IMPROVEMENT

The thirtieth annual general meeting of the British Tyre & Rubber Company, Limited, will be held on March 18th at Caxton Hall, London, S.W.

The following is an extract from the statement by the chairman, Sir Graham Hayman, circulated with the report and accounts:

Last year I referred to the changed circumstances and conditions then current which, it was felt, would be likely to affect our turnover and profit margins in 1953 as compared with recent years. From the figures it will be seen that those views were well founded although, as the result of improved turnover in the latter months of the financial year, the decline in earnings was less substantial than anticipated. The improvement in turnover is more encouraging than its effect on the present figures, having regard to the progressive fall in selling prices which occurred throughout the year.

Accordingly the group profit for the year before taxation is £1,485,543, compared with £1,907,235 in the previous year, a decrease of 22 per cent. Reduced taxation resulting from the lower profit and the revised rate of income tax now applicable represents 55½ per cent of the total profit against 61 per cent last year. The directors have allocated £250,000 to general reserve and £200,000 to plant replacement and stock reserve, bringing both these reserves to £1 million. Your board consider that the appropriate course is to maintain the total distribution at last year's level of 22½ per cent by a final dividend of 15 per cent, less income tax.

The closing months of last year established an improved standard of trading, which has been maintained in the current year, and consequently the present outlook may be regarded as rather more favourable than a year ago. The continued pressure of present-day competition, however, with its insistent demand for lower selling prices, not only in the home market but in overseas markets to an even greater degree, must be emphasised. While the current lower cost of our basic materials assist towards meeting these conditions, wage rates in the rubber industry have recently been raised again and the need for greater output per man-hour accordingly becomes more and more essential.

GROWING DEMAND FOR BTR QUALITY PRODUCTS

Last year your company announced a new BTR technical product known as Pluvicor and its use in the construction of BTR multi-ply fire-resistant conveyor belting which had been fully approved by the National Coal Board for use underground. The National Coal Board is now installing belting of this type at an increased rate. Pluvicor is also now being employed in the manufacture of other BTR products. The industrial products division of the group continues to make headway and during the year the technical sales and service sections of this division have been strengthened in step with the growing demands of industry for BTR quality products.

In the opinion of your board, the very diversity of the wide range of products manufactured within the group and the progressive graduation of skilled personnel, together with the substantial financial resources shown by the balance sheet, are factors which provide solid grounds for confidence in the future.

BAJOE KIDOEL RUBBER AND PRODUCE COMPANY, LIMITED

A FINE ACHIEVEMENT

The forty-second annual general meeting of the Bajoe Kidoel Rubber and Produce Company, Limited, was held on February 24th in London.

Sir Eric Miller, the chairman, in the course of his speech, said: We have just received remittances totalling £52,435, being the proportion of earned profits remittable under the present Indonesian Exchange Control Regulations.

The security situation on our East Java estates left much to be desired, yet the rubber crop of 2,433,270 lb was the highest recorded since the estates were acquired in 1911; 146 acres of rubber were planted on Anim Sand and Trebla Sala estates in areas uprooted during the Japanese occupation.

The trades union leaders who have mushroomed in Indonesia, often with definite Communist affiliations, cannot abide contentment among their members and, to justify themselves, stir up many minor disputes which occupy much of the managers' time.

The coffee crop of 318,160 kg was not up to expectations. Theft of ripe berries and drought were contributory factors to this shortfall.

CELEBES ESTATES

On our Celebes Estates the harvesting of a rubber crop of 1,680,906 lb was a particularly fine achievement. The coffee crop of 194,190 kg reflects the adverse weather conditions experienced after the blossoming. The kapok crop, estimated at over 60 tons in its raw form, turned out on manufacture to be only just over 38 tons. A modest replanting programme was continued, and 62 acres were planted with coffee on Halomhissie estate and 77 acres of old coffee on Balangriri estate were interplanted with rubber.

The consolidated trading profit of the subsidiaries at Rp.5,196,000 is not far short of the 1951-52 figure of Rp.5,554,000, despite the sharp fall in the average price of rubber.

The profit of the parent company, after taking credit for the dividends totalling £52,500 from the subsidiary companies, is £53,836 before UK taxation. Under current Exchange Control Regulations in Indonesia, remittances abroad of profits are limited to 40 per cent of the adjusted fiscal profits. The net UK tax provision is £6,276. An amount of £10,000 has been added to the dividend equalisation reserve, making that £50,000, and after charging a small exchange adjustment and allowing for the proposed dividend there remains £60,842 to be carried forward against £44,173 brought in.

The net current assets in the United Kingdom at March 31, 1953, were £200,771, approximately 16s. per £1 stock. After receipt of the remittance and allowing for expenses during the year to date and the proposed dividend the issued stock is now covered £ for £.

THE CURRENT YEAR

On the credit side we have harvested a bumper coffee crop of 951,000 kg. On the other hand, the price of rubber is much lower and our crops are below estimate owing in part to a severe drought and in part to the labour troubles, while costs of production have risen during the year as a result of the award of higher wages and rice subsidy.

The report and accounts were adopted and a dividend of 15 per cent, less tax, was declared.

MANCHESTER SHIP CANAL COMPANY

SIR LESLIE ROBERTS' REVIEW

The ninety-sixth ordinary general meeting of the Manchester Ship Canal Company was held on February 26th at Manchester.

Sir Leslie Roberts, CBE, the chairman, in the course of his speech, said:

The total net revenue was £1,106,247 compared with £1,066,448 in 1952—an increase of £39,799.

To the net revenue figure of £1,106,247 there must be added £19,850 brought forward from the previous year. £145,000 then has to be appropriated for taxation and £586,765 must be deducted for loan and debenture interest. The balance available for dividends and reserve thus amounts to £394,332.

Of this sum £35,000 (as in previous years) has been appropriated to the reserve for contingencies; and it is proposed that out of the balance of £359,332 the following dividends amounting to £331,309 should be paid:

5 per cent on the preference shares
3½ per cent on the ordinary shares
and that £28,023 should be carried forward to next year's account.

Having regard to my remarks last year on the dividend I am sure you will be gratified with this further gradual advance.

Receipts from tolls, ship dues, traffic rentals, towage and sundry receipts exceeded those of the previous year by £214,000. Expenditure, on the other hand, rose by £187,000.

HEAVY DREDGING COSTS

Dredging cost in 1953 the formidable amount of £573,000. During the latter part of the year it became necessary to commence maintenance dredging of the deep channel in the Mersey and this, together with the continued high degree of siltation, accounts for the increase of £182,000.

The balance sheet is the strongest in the history of the undertaking, the balance standing to the credit of the provision and reserve accounts can only be regarded as modest for a company with a capital of over £23 million.

The capital account shows a balance at debit which has been increased by nearly £1,400,000. This was due in the main to expenditure on the construction of the new oil dock at Eastham which is now completed.

You will have been as gratified as your directors by Her Majesty's gracious command that it should be called "Queen Elizabeth II Dock." We are, naturally, all proud of the further distinction thus conferred upon the Port of Manchester, which, as most of you know, was ceremonially opened by Queen Victoria almost exactly sixty years ago.

I told you at the last meeting of the very heavy siltation which during recent years—and it continued unabated throughout 1953—has been taking place in the Mersey and which is thought to be due to some disturbance in the bed of the Irish Sea. This vagary of the processes of nature—which we hope will sooner or later be alleviated—has greatly enlarged our dredging problem and enormously increased our dredging bill. In the years to come I have little doubt that there will be further improvements that will have to be effected, not merely to secure new traffic, but to retain the traffic we already have. All these things need money, and probably new money.

With a total traffic of over a million tons a month, we have at least regained our position as the third port in the United Kingdom. The report was adopted.

CARRERAS, LIMITED

JUBILEE YEAR: PROUD RECORD OF ACHIEVEMENT

The fiftieth annual general meeting of Carreras, Limited, was held on February 25th in London.

Sir Edward Baron (chairman and managing director) in the course of his speech said: At this meeting we formally celebrate the jubilee of the company, which was actually incorporated on June 5, 1903. Much has happened since that date, and we can be very proud of the fact that from small beginnings the company has achieved a position of eminence not only in the tobacco trade, but also in the industrial life of the country.

While the turnover of the parent company during the year showed a considerable increase in volume, costs continued to rise in all directions. In consequence, the parent company's trading profit showed only a small advance, despite the greater volume of production. The same considerations applied to our subsidiary companies and particularly to the Canadian company, which, following the lowering of the duty in the last Canadian Budget, reduced certain of their prices still further in common with the other manufacturers in that country. However, their turnover has shown a considerable advance as a result.

The very success which our introduction of Dunhill cigarettes achieved brought its own special problems, but I am glad to say that these are being surmounted and we have in recent months secured national distribution. We have every confidence that this brand will not only maintain the popularity it has already attained, but will prove in the future to be a valuable addition to our existing brands.

While our production has expanded since the close of our financial year, we have to face a further rise in costs. We still hope for a reduction in the duty on tobacco and I might say that we regard such a step as essential, not only for the sake of the tobacco industry but also for the maintenance of the revenue to which it contributes over £600 million a year, a vast sum without which our national finances would be in jeopardy. I feel that to keep the duty at its present excessive level will, in the near future, have a detrimental effect all round.

As regards our export trade, we are holding our own very well. We are confident that we can continue to meet competition successfully and secure good results in whatever markets are open to us. On the question of leaf tobacco supplies, while our stock position is at the moment somewhat better than it was a year ago, we are far from satisfied and unless more realistic allocations of dollars are made during the coming year we shall find ourselves once again with our stocks at a dangerously low level.

LUNG CANCER AND SMOKING

With regard to the subject of lung cancer and smoking, certain public statements have recently been made both from the side of the Government and from that of the tobacco manufacturers. It would be as well to recall the exhortation of the Minister of Health that uninformed and alarmist conclusions should not be drawn from the report of the Standing Advisory Committee which gave rise to these statements. That seems to me to be eminently sound advice, particularly as it still remains the fact that there is no conclusive evidence that smoking is the cause, or one of the causes, of the disease.

The report was adopted and the total dividend of 17½ per cent on the ordinary share capital was approved.

BROOM & WADE, LIMITED

RECORD PROFIT

The nineteenth annual general meeting of Broom & Wade, Limited, was held on February 23rd, at High Wycombe, Mr Harry S. Broom, MIMechE, chairman and joint managing director, presiding.

The following is an extract from his circulated address:

For the year to September 30th last we have succeeded in increasing our turnover by something like 11 per cent and show a record consolidated profit of £516,846, which exceeds our previous year's figure by £84,687. The consolidated profits are a little lower than those of the parent company only; this is due to the small loss made by the Canadian subsidiary.

The past year has been fraught with difficulties almost unparalleled in the whole of my fifty-five years' experience in business. It is the wish of your board to pay a final dividend for the year to bring the total up to 14 per cent, the same as last year.

MANUFACTURING AND SALES

Last year I said that there had been a falling off of orders during recent months. The excellent results this year have been due to the heavy backlog of orders, but the rate of incoming orders has remained below the peak which was reached in 1952. At the end of that year we had an order book which forced us to quote delivery dates, on our heavier products, of up to approximately two years. The rate of incoming orders, which has considerably improved in the last few months, together with the orders in hand, will carry us on for a further twelve months. There is a freeing-up of import restrictions in many markets, particularly Australia.

In an effort to offset the present trend of sales orders, we have been sending trained engineers to many parts of the world, and have, as you may well have noted in the press, very greatly increased our advertising and have recently arranged for a world-wide advertising campaign in co-operation with our subsidiary companies and overseas agents. We have also had excellent publicity films produced.

MODERNISATION POLICY

The increased manufacturing space which I mentioned a year ago has now been fully occupied, and we have increased our manufacturing efficiency to a surprising degree, with the result that in spite of rising material costs we have been able to maintain prices very little above those which we were able to quote two years ago. We have continued the policy of modernising and replacing plant from profits ploughed back into the business. You will see the benefit from such a policy when I tell you that since 1946 the output value has increased more than two and a half times with only a third increase in the labour force. We have to thank our stockholders for their generous support when we have asked for additional capital to enable us to effect this expansion and modernisation.

We face the future with quiet optimism. I have outlined our difficulties, and it is only my hope that they may be lightened during the present year. The fact that our prosperity is so much linked with our export trade makes it impossible to give any reliable forecast. We shall continue to forge ahead wherever we see a chance of expanding our trade.

The report and accounts were adopted.

LEEK & MOORLANDS BUILDING SOCIETY

The ninety-seventh annual general meeting was held on February 22nd at Leek, Staffordshire.

Sir Ernest Johnson, JP, the president, in the course of his speech said: The progress of this society, which takes care of accumulated savings to the extent of over £25 million, owned by more than 34,000 shareholders and depositors, and which caters for the needs of nearly 24,000 borrowers, is a matter of continuing and absorbing interest to all concerned with social progress.

Present-day Government Ministers are directly or indirectly paving the way to assist building societies in discharging their traditional role of financing home ownership. The facilities for obtaining a licence have now been made easy to private persons desirous of building a small house for their own occupation.

There is still, in my opinion, too much emphasis and freedom given to local authorities to build under subsidy compared with private building. There can be no doubt that the ever-increasing housing subsidies are proving an intolerable burden to the nation and to local authorities. They cannot continue indefinitely at the present rate.

Just as it is important to build new houses so it is imperative to maintain our existing stock of dwellings in a reasonable and habitable condition. We must maintain, we must build, and we must save. I exhort all of you to save. Acquire some nest-egg of independence.

As I exhort you to save so do I urge the Government of the day to save. There is still ample room for pruning of wasteful expenditure in Government Departments. The Chancellor has in his past two budgets seen fit to grant some measure of relief from the crippling burden of taxation imposed on individuals and businesses alike. I plead for a further easing of this burden.

CHAIRMAN'S ADDRESS

In moving the adoption of the report and accounts, Councillor Gilbert Tatton, the chairman, said: The amounts due to all classes of investors at December 31, 1953, was £24,487,551, an all-time record, and an increase of £2,440,994 in the year. This is an indisputable measure of the investing public's confidence in this society.

Having taken care of income tax, profits tax, and all interest, there is a surplus on the year's workings of £69,485. Your directors recommend that £69,000 should be placed to the general reserve fund, leaving the nominal sum of £485 to be carried forward into this year. Total reserves will then amount to £1,050,485, representing 4.78 per cent of the shareholders' capital and 4.08 per cent of the assets. The grand total of the society's assets is £25,723,978.

Another year is over, a year of excellent progress. We shall endeavour to continue the good work, and it is my earnest hope that next year I shall be in the happy position of presenting to you another excellent report.

DEPUTY CHAIRMAN'S REMARKS

Seconding the motion, the deputy chairman, Mr F. Leslie Davenport, JP, said: I share the views already expressed as to the burdensome effect of housing subsidies on national and local taxation. In home-ownership, properly encouraged, lies the opportunity of stemming this inroad into our national finances. The report and accounts were adopted.

SOUTH ESSEX WATERWORKS

INCREASED REVENUE

The annual general meeting of the South Essex Waterworks Company was held on February 19th in London, Mr G. Francis Stringer, OBE (chairman), presiding.

In the course of his statement the chairman said: The capital account indicates a net increase in expenditure of £616,142 during the year 1953, of which your company's share in respect of the Manningfield works was £547,876, and your directors have entered into commitments for expenditure of capital in sum of £1,016,730. It was for this reason that on December 17th last an issue of £500,000 4½ per cent redeemable preference stock 1973-75 was made. The issue was oversubscribed two and three quarter times. It will be necessary for a further issue of stock to be made in due course.

With regard to the revenue account, a further net increase of £26,505 is recorded. There has been a marked increase in private building, which has offset the reduction of building by local authorities. In the first six months of the year the demands of industry declined for the first time since the end of the war. This was due to some extent to the serious flooding which occurred on the night of January 31, 1953. During the second half of the year industrial demands increased again throughout the district. Pumping charges have again risen by £21,630 due to an average increase of 6s. per ton in the price of coal, further advances in the cost of materials and wages, and an increase in the total quantity of water supplied. Local rates at £129,516 comprise the next heaviest item of expense, equivalent to one-sixth of the amount paid by each consumer for water.

TWINING CROSFIELD & COMPANY

RECORD TRADING RESULTS

The thirty-seventh annual general meeting of Twining Crosfield & Company, Limited, was held on February 25th in London, Mr H. W. Backhouse (chairman) presiding.

The following are extracts from his circulated statement dated January 25th:

The Group trading profit is the highest in the company's history. It has been earned during a period when the Tea Market has been exceptionally kind to tea distributors. In November, 1952, common tea was costing 1s. 8½d. per lb. and by the end of October, 1953, it had risen to 3s. 4½d. per lb. The market has been consistently strong until now when the price is about 4s. per lb, the highest price within living memory. Under these conditions the company has enjoyed an increased turnover.

We have had to begin this current year with a very high market for tea and a possibility that lower prices for common tea may be reached during the current financial year, so that the situation is quite different and less favourable. We have been facing intense competition since control ended and we expect this to continue.

Since our last meeting the retail price of tea has advanced on three occasions. There increases were inevitable owing to higher prices for tea, and if the market for common tea remains at its present high figure a further increase in the retail prices of all teas will be inevitable.

The alarming increase in the price of coffee gives rise for some anxiety. In the

UK consumers have been sheltered to some extent against world prices by the action of HM Government in allocating coffee (for which they had made forward contracts) at a much lower cost than the rest of the world was paying. These allocations are now down to 25 per cent of what they were, and to make up the remaining 75 per cent distributors have to pay world prices. It would appear that an advance in the retail prices cannot be long delayed.

The report was adopted and the dividend distribution of 18 per cent for the year was approved.

ILLINGWORTH, MORRIS AND CO.

(Worsted Spinners)

MAINTENANCE OF HIGH QUALITY STANDARDS

The thirty-fourth ordinary general meeting of Illingworth, Morris and Company, Limited, was held on February 25 in Bradford, the Right Hon Lord Wilmot of Selmeiston, JP (the chairman), presiding.

The following is an extract from his circulated statement:

The affairs of your company have shown a satisfactory improvement during the year under review. It has now been possible to recommend that the issued capital should be increased by capitalising one million pounds of the very large accumulated reserves.

The net profit before taxation is £568,000, compared with £358,000 for the previous year. After providing £319,000 for taxation there remains a balance of net profit of £248,000, which compares with £151,000 for the previous year.

Current assets exceed current liabilities by £4,251,000.

Conditions in the worsted industry during the year under review have remained somewhat abnormal. The hold-off from buying on the part of merchants and retailers was overdone and, as was the case last year, demand did not come forward in a way which made possible an orderly spacing of work. Restocking led to a spate of orders. This abnormal pressure to some extent interfered with the welcome return to the normal practice of seasonal buying, which we are satisfied is developing again.

Our policy is still to maintain the traditional very high standards of quality for which our yarns are so well regarded throughout the world. All our branches have orders which will keep them fully employed for some months ahead.

CHAIRMAN'S ADDITIONAL REMARKS

The chairman, in reply to questions, said he was pleased to say that the trading figures available for the first four months of the current financial year were better than for the same period of the previous year, which was very satisfactory.

They had a very good order book, but it must be remembered that they had still eight months to go.

With regard to the figure in the balance sheet, stock and stores £2,900,000, the chairman stated it should be remembered that it constituted largely the work in progress and in fact at that time it was practically all sold.

The report was adopted; the total ordinary stock dividend of 14 per cent, less income tax, for the year approved, and the capitalisation proposals were sanctioned.

THE CHELTENHAM AND GLOUCESTER BUILDING SOCIETY

ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

The annual general meeting of Cheltenham and Gloucester Building Society was held in Cheltenham on February 17, 1954.

Mr Leslie W. Bayley, CC, FAI, the president and chairman, presided and, in the course of his speech, said:

You will remember that in 1952, owing to a change in long-term interest rates, Building Societies found it necessary to increase by a ½ per cent the rates paid to shareholders and depositors.

During 1953 these rates have remained steady, and have continued to prove attractive to the general public, particularly when the other advantages of investing in a Building Society are borne in mind. For example, the investor has no income tax to pay on his interest, this being paid for him by the Society, and we have paid this year £220,000 in income tax in order that our investors may have that advantage.

There are no costs or expenses of any kind in connection with the investment or withdrawal, and when an investor needs his money he can get it on short notice without penalties of any kind, and he always knows that he can get £1 out for every £1 he puts in, and that, in other words, there is no

risk of any loss of capital through depreciation.

Bearing all these advantages in mind, it is not surprising that Building Societies are enjoying increasing popularity with the investing public, and I should like here to acknowledge the service which our bankers render to us and to their customers in recommending the Society for investment. The result, so far as this Society is concerned, is that the record sum of £4,675,000 has been invested during the year, and after allowing for all withdrawals and interest the amount remaining invested increased by £2,193,000.

With regard to the lending side of our business, conditions have shown a marked improvement so far as the building of new houses for sale is concerned. I am sure we would all wish to congratulate the Minister of Housing and the building industry on the completion of 318,000 new houses during the year, of which over 62,000 were built for sale as against 34,000 the previous year. It is not, therefore, surprising that the Society's advances on mortgage amounted to a record figure of £4,298,000, the increase being accounted for by the larger number of mortgages on newly built houses.

Although it is the expressed intention of the Minister to endeavour to stabilise the production of new houses at around 300,000 a year, it is nevertheless apparent, having regard to the number at present in course of erection, that this figure will be exceeded during 1954, and in any event we confidently anticipate that the proportion built privately for sale to owner occupiers will progressively increase, whilst the number of those built for letting at a subsidised rental by the Local

Authorities will steadily decrease. The country cannot afford the rapid annual increase in housing subsidies, which will remain a charge on the Exchequer for the next two generations.

Restrictions on building have recently been further relaxed, and it is now possible for builders to proceed with estates of a sufficient size to enable more efficient methods to be introduced, which will, I trust, result in a reduction in prices, which are unfortunately at present too high to enable many would-be home owners to purchase.

The Society's liquid assets, representing 13.3 per cent of the total, and which, apart from cash, are all invested in trustee securities, still show a depreciation of £35,000 in market value as compared with book value, but I would like to emphasise that all these investments are in dated stocks repayable at par, and that in no case does the book value exceed par. Moreover the redemption value exceeds the book value by £45,000, and our contingency reserve of £100,000 more than covers the present temporary deficiency.

As a result of the year's working it has been possible to transfer £70,000 to general reserve, so that our total reserves and unappropriated profit now amount to £1,470,000, representing 6.7 per cent of the total assets.

At the date of the balance sheet you will see that our assets amounted to £21,824,000, having increased by £2,282,000 during the year, and I may add here that since the end of the year they have passed the £22 million mark.

The report and accounts were adopted.

UNIVERSITY OF LEEDS

DEPARTMENT OF AGRICULTURE

Applications are invited for the post of Assistant Lecturer in Agricultural Economics. Salary on the scale £500 x £25-£550 a year, according to qualifications and experience. Applications (three copies) should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained), not later than March 31, 1954.

HIGH LEVEL CHEMIST

TECHNICAL SERVICE MANAGER required by well-known progressive manufacturer of starch and its derivatives—such as glucose, dextrins, dextrone, adhesives—to take charge of department responsible for technical service to customers and manufacture and for development. This is an exceptional vacancy. It is an important post and an outstanding man is sought. Applications are invited from CHEMISTS 35-40 with a M.Sc. degree or equivalent, and responsible experience in industry—such as textiles, industrial experience in a relevant valuable. The salary and future paper, food or foundries—would be importance attached to this post. Replies are commensurate with the importance of the position—giving details of which will be treated in the strictest confidence—should be sent to Box 474.

FORD MOTOR COMPANY LIMITED has an immediate vacancy in a Department engaged on the examination of the financial and economic implications of its activities, both current and future.

The main requirements are intelligence and limitations of figures, foundation of knowledge of the powers and limitations of figures, administrative resourcefulness and a talent for the concise exposition of complex problems. The appointment will probably—but not necessarily—be filled by a man under forty who has a University Honours Degree in mathematics or economics, or a recognised accounting qualification, and who has had broad experience both within and without his academic or professional sphere.

A good starting salary is offered, with high future prospects depending on capacity as demonstrated in contact with the people and problems of the Company. The post is pensionable. Apply, stating salary required, to: Salaried Personnel Department, Dagenham, Essex, quoting reference C/H.

WELL-ESTABLISHED COMPANY requires experienced Management Consultant, age 35-45, preferably with University degree, good professional qualifications, and industrial and consulting experience, to help in developing their organisation in Southern Africa. Salary commencing £2,500/£3,000 per annum.—Write fully, in strict confidence, to Box 484.

ACTUARIAL STUDENT required by progressive Life Company for new Pension Scheme Department in City. Must have passed at least Part II of the examinations of the Institute of Actuaries. Faculty of Actuaries. Replies in writing giving age, qualifications, and previous experience will be treated in strict confidence.—Write to Box 481, L.P.E., 110 St. Martin's Lane, W.C.2.

ACTUARY (40) holding a responsible administrative and statistical post in government service seeks a position with wider opportunities in business. Previously twelve years with an assurance company. Some experience of private pension funds. Present salary £1,600 plus non-contributory pension.—Box 473.

ACCOMMODATION business man Central London—well furnished bed sitting room with private bathroom and private telephone line in flat—£4 15s. per week including breakfast.—Box 470.

FOR SALE.—Complete volumes of The Economist 1947-1953.—Write Arthur Press Limited, Woodchester, Glos., for details.

REQUIRED.—Complete volumes of The Economist 1928-1944 inclusive, also 1947. Please quote price.—Box 472.

LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)
The Register of Graduates 1896-1949 is under revision. Graduates and diploma holders of these years who have not received, or have not replied to, the School's requests for information, are urgently required to write to the Registrar in order that the Register may be completed.

BIRMINGHAM POST (LONDON OFFICE)

Assistant to City Editor required. Pension scheme and prospect of advancement. Applications, giving full statement of qualifications, experience and age to Editor, Birmingham Post, New Street, Birmingham.

CHARTERED ACCOUNTANTS ONLY, aged 26 to 45. Starting rate at least £1,500, advancement (quite possibly rapid) to £5,000 or more. Good holidays and sick pay. Non-contributory pension (one-sixtieth of each year's pay) from sixty-five. Responsible internal audit six separate businesses, clothing, furniture, food. Present turnover £23,000,000 may grow fast and far. No executive functions beyond own department, but after first year member controlling board and chief managerial group John Lewis Partnership, co-operative society of producers begun 1914 now established by irrevocable trusts. Present capital £16,000,000, worker membership 12,000 (about one-fifth minors); yearly pay-sheet £4,000,000. Business policy strict integrity. All payments absolutely prompt. Energetic enterprise, but no great risk. Graduates (arts preferred) and similar home income preferred, but only if other considerations about equal. Letters of application must arrive by March 13th and will not be acknowledged before that date. Should answer all questions candidate would ask in making similar appointment. Enclose copies relevant documents. No calls except by invitation.—Address: "Chartered Accountants," Chairman's Office, John Lewis Partnership, Oxford Street, London, W.1.

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NEW LOOK IN DEFENCE

The money spent by Britain on defence has to provide the arms, ships and aircraft for three different but related tasks:

- (i) Total war, unlimited in range, against major enemies having atomic weapons for attack and scientific devices for defence—e.g., defence of Western Europe.
- (ii) War in a limited area and with non-atomic weapons against a well-equipped enemy with regular forces—e.g., the Korean War.
- (iii) Police operations in or around British possessions conducted with weapons and forces inadequate for major war—e.g., Malaya, Kenya, patrol of Formosa Strait.

The revolution in weapons of attack and defence now going on complicates the peacetime task of allocating resources between these three functions, and between the three Services performing them. No one knows precisely if—and if so when—the guided missile will displace the piloted aircraft; or if the helicopter with the convoy will displace the escort vessel; or if increased fire power will end the usefulness of the tank. The designer and the staff officer are always planning for a date that moves forward. Even the best-planned defence budget will, therefore, propose expenditure on much that is obsolescent.

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In the first of the articles that follow the problem of peacetime defence planning when weapon design and international relations are so uncertain is discussed. The next three articles examine in each fighting service the basic problem that reflects all or most of its difficulties. The difficulties of the Air Force are reflected in the arguments for and against the atomic bomber; those of the Army are reflected in its manpower needs; those of the Navy are reflected in the arguments for and against the aircraft carrier.

The Cost of Uncertainty

THE three fighting services and the ministries that direct them propose to spend in the next financial year just under £1,640 million. It is a figure to make the taxpayer flinch; he may even start calculating that a fifty per cent cut in defence expenditure might save him four or five shillings on his income tax. And if he looks at the White Paper on Defence—a quite readable little treatise on the nation's present strategy—he may murmur: "Even with that they are not satisfied." For it can be read between the lines that the defence for which he is paying is a patchy thing; that the men who decide these matters find it hard to agree on what claims have priority; and that everyone who peers into the future of war is puzzled by the prospects that offer themselves. The layman had hoped that the new weapons would somehow make things simpler and

reduce the difficulty of choosing between the Services' claims. Instead he reads:

Even in a major war it does not seem likely that the possession of new weapons will make it any less necessary to keep a firm screen of troops on the ground and of aircraft to withstand the first shock of an attack, to hold the enemy until mobilisation is completed, and to exploit and consolidate the tactical situations which the new weapons will create.

That can, perhaps, be allowed to pass in the year when the RAF is receiving only its first atomic bombs, when Sir Winston Churchill and Mr Molotov have between them raised such fresh speculation about the future prospects of peace, and when everybody is agreeably surprised that the backs of the western allies have not been broken by

DEFENCE EXPENDITURE AND MANPOWER

	DEFENCE EXPENDITURE £ million			
	1947-48	1951-52	1953-54	1954-55
Navy	195.6	280.3	364.5	367.0
Army	397.4	443.3	581.0	561.0
Air Force	187.4	330.2	548.0	537.0
Ministry of Supply ..	100.3	81.5	123.8	151.0
Ministry of Defence ..	0.3	11.3	19.5	23.9
Total	881.0	1,136.6	1,636.8	1,639.9

	MANPOWER Active Strengths at April 1st: thousands			
	Actual		Estimated	
	1948	1952	1954	1955
Navy	144.4	145.2	135.0	135.0
Army	530.7	446.7	453.2	440.1
Air Force	255.9	270.8	267.3	269.2
Total	931.0	862.7	855.5	844.3

the burden of rearmament (as it was said they would be). But it will not pass in the future. For there is direct and painful conflict between Britain's need to re-equip its industries and its desire for balanced forces; and there is direct conflict between the taxpayer's feeling that war is less likely and the staff officer's feeling that it must remain one of the normal risks of a nation's life. Sooner or later the demand for economy will have to be met.

It is, however, only fair to recall—as the White Paper modestly reveals in one paragraph—that it was the British Chiefs of Staff who first warned Nato against the extravagant mood induced by the Korean War. Their plea for a cheaper and longer-term plan called the “new look” was accepted during last year by the Atlantic allies; and Nato's Military Committee is now “carrying out a reassessment of the most effective pattern of military forces for the long term, taking account, among other factors, of the effect of new weapons.” In other words, it will not be left to national governments and their advisers to settle what weapons and forces are necessary. In this fact alone there is hope; for this relief much thanks.

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But the question remains: is the traditional conception of well-balanced national forces as the basis of independent foreign policy and strategy still tenable for Britain? It is clear that most people who think at all about these things want to maintain it. The question is whether any country, except perhaps the United States and Soviet Russia, can afford to maintain it. In the articles that follow it will be seen that the Royal Air Force wants, and has been promised, a strategic bomber force, although the United States has had one of growing strength throughout the tensions of the last five years. Is the British force, then, an extra deterrent that Nato thinks necessary, or is it regarded as something that a great power must have if it is not to become a middling power? Likewise the Royal Navy wants to maintain and improve its aircraft-carriers, although the United States has a plethora of these ships. Is that an extra precaution that everybody agrees to be necessary, or is it the Royal Navy's way of keeping in the foreground? Again, the Army is keeping abroad more men than ever before at a time when it has more allies strong in infantry than ever before—admittedly not all in the right places. Will that always be necessary or is there some way of sharing the common burden?

For the time being there is only one conceivable enemy; and so long as it looks like an enemy the alliance that it has frightened into existence should remain in being. Are the British and other allied chiefs of staff unconsciously looking forward to some time in the future, when every government will thankfully say that the cold war is over, the world is at peace, and all can again rely on their own balanced national forces—but somewhat smaller and cheaper? If so, it is a costly

obsession, and the layman is entitled to ask whether all the possibilities have been examined of achieving more economies, more sharing of burdens, more distribution of risks through the Atlantic alliance.

It is tempting to think that the airmen have the answer with their idea of preventing war by threatening the aggressor with atomic bombing: one idea, one force, one solution. The idea is examined from the strategic aspect in the article that follows; it was examined from the political aspect in *The Economist* of February 6th. It has fully convinced neither the politicians in the United States nor the soldiers and sailors in the United Kingdom. Conventional war—appalling phrase—and colonial operations lurk round the corner; and no one yet knows how the political side of the atomic deterrent works. Mr Dulles speaks as if he would decide when to use the master deterrent in retaliation for aggression. The British air marshal speaks as if he wants to make the decision. One day, perhaps, the French and the Germans will want to make their decisions. The layman cannot help wondering whether the deterrent would not be much more effective, both in warning an aggressor and in saving expenditure on the free nations' defences, if the decision were to be taken by an allied body and executed by an allied air force.

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From the articles that follow the many difficulties of this period of transition plainly emerge. There is the uncertainty about new weapons and the mystery of Soviet intentions; there is also the puzzle of planning for the armed peace. It is not easy for men who fought and commanded in the last war to visualise what will be needed in a period where every effort will be bent to avoiding major war. Nor is it easy for one minister in a government to speak of his success in maintaining peace if another minister has to speak of the need to maintain strong defences. This is a period of political as well as scientific and strategic transition. It would therefore be wrong and unfair to put on military advisers the whole responsibility for uncertainties and extravagances that are rooted in political difficulties.

Brief observations on great issues can never be more than half true; but the doubts of the layman might be summed up by saying that the cost of being secure from enemies is being confused with the cost of being independent of friends. The criticism is as true of the Americans as it is of the British. Costly research on new weapons is being duplicated in both countries because many Congressmen do not trust an ally; costly building of new ships is being duplicated in both countries because the British want to protect Atlantic

trade routes; precious time and money are being wasted because the French do not trust their allies to pull in harness with the Germans. It is, perhaps, time that the staff officers turned on ministers, and told them to create better political conditions for cheaper yet more efficient defence. Otherwise the politicians will turn on the staff officers and tell them to save money by cutting defence down. And that policy, applied in haste, could end in disaster.

RISE AND FALL OF SERVICE ESTIMATES
(Percentages of Main Estimates* each year)

	Pre-war			Rearmament		
	1933-35 (av.)	1949-50	1950-51	1952-53	1953-54	1954-55
Admiralty	49.0	24.9	24.8	24.4	22.3	22.4
War Office	35.0	40.1	38.4	35.7	35.5	34.2
Air Ministry	16.0	27.3	28.7	31.9	33.5	32.8
Ministry of Supply †	...	7.6	8.0	6.8	7.5	9.2
Ministry of Defence ‡	...	0.1	1.2	1.2	1.2	1.4

* These percentages are based only on the Main Estimates, which reflect the emphasis of Government policy in money terms. They do not represent actual expenditure, and the effect of Mutual Defence Aid from the United States is excluded.

† By far the greater part of this Ministry's expenditure is devoted to the needs of the Army and Air Force.

‡ The chief element here is expenditure on “infrastructure” in Europe, installations mostly for the use of military and air forces.

Atomic Air Strategy

THERE is something repellent to a civilised community about the promotion of retaliatory bombing—atom bombing—to the front line of the country's air defence. The atom bomb is pre-eminently a weapon to be used against cities, and it is a horrible logic that bases any country's security on a form of strategic blackmail. Yet this year's White Paper on Defence openly accepts the need to build up in the Royal Air Force a force of modern bombers capable of using the atomic weapon to the fullest effect. A strong and efficient force of medium bombers is of the greatest importance to us both for our own security and for the defence of Western Europe.

Having said so much, it is a pity that the authors of the White Paper did not go further and explain the reason for this change of emphasis from air defence to air attack. Separated from its context, the promise of an all-powerful deterrent can be turned into a case against continued expenditure on other, less spectacular, methods of defence. No illusions must be allowed to take root that would smother this country's defence programme in atomic complacency.

The major responsibility of the Air Force is the defence of Britain. How, then, does it come about that the Air Marshals consider their most effective method of defence lies not in Fighter Command, but in attacking enemy airfields and enemy cities? Is the ghost of Harris riding down the corridors of the Air Ministry? The Secretary of State for Air, in a memorandum on the air estimates, has hinted at some of the technical difficulties of air defence against jet bombers, but there has been no official explanation of the Air Ministry's real dilemma. It turns not on the change from piston to jet power, but on the change from conventional high explosives to atomic

fission. Before the atom bomb, it was possible to calculate with fair accuracy the limit of losses to any bomber force beyond which bombing missions would be uneconomical to the attackers—when the raiders' losses, in terms of men and machines and the drain on national resources, exceeded the damage done by the raid. It was then possible to calculate the size of the fighter defences needed to achieve this critical rate of kill. During the last war, it was estimated, bombing raids could be topped if on aver-

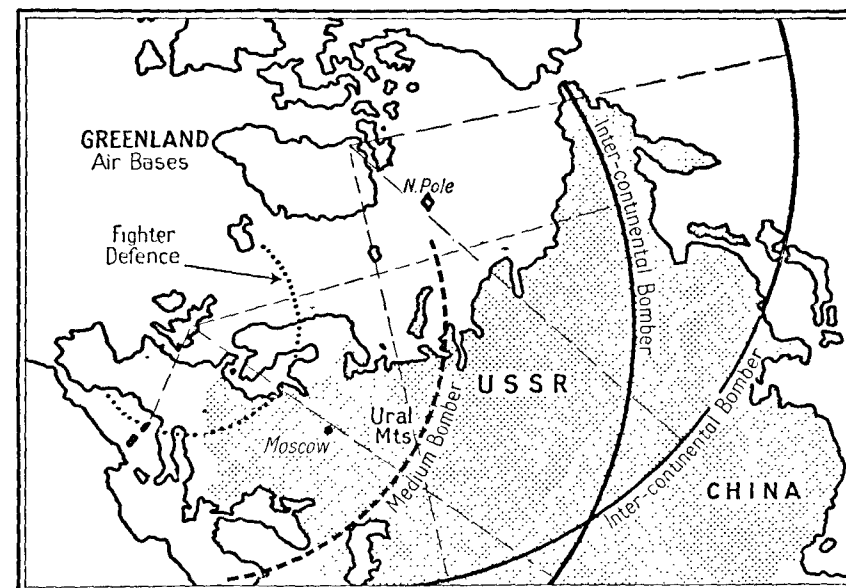
age 20 per cent of the attackers failed to return; in practice an attrition rate of as little as 10 per cent proved sufficient.

Such calculations can still be made but they no longer give comforting results. The devastating effect of a single atom bomb is so tremendous that the fighter defence would need to be certain of destroying more than 90 per cent of the attacking bombers—and doing so before they reached their targets—to make the results of the raid no longer worth the cost of mounting it. By any standard, this is an impossible task. The fact that the raiders will in future be jet-powered does not affect the basis of the calculations; it only makes the planning of the fighter defences so much the more difficult. The attrition rate necessary is too high to offer any hope of success.

Air defence, therefore, must look for another way of making an atom attack too costly to launch. Hence, the emergence of a new strategic doctrine: if a sufficiently big stock-pile of atom bombs can be accumulated, together with bombers capable of delivering them, the fear of retaliatory bombing by such a striking force will be sufficient to stop the first atomic attack from ever being ordered. The bombers would take off for Moscow when the sire sounded over London. In an attack of this kind, the balance might be tipped a little in favour of the Western bomber. British defences will never be so perfect as to make atom attack impossible, but the area that they have defend is so small and highly concentrated that they should make such an attack a costly one even if they cannot prevent it altogether. A similar concentration of air defences could never be contemplated across the rambling vastnesses of Russia. Provided that they had the range to reach Russian targets (even if these took refuge behind the Urals), the

Western bombers would have a slightly easier mission. The pattern of this new atomic strategy is beginning to take shape. Deliveries of the Valiant, the RAF's first medium-range jet bomber, will begin this year and deliveries of atomic weapons to the British forces have already started. Such bombers can reach into the heart of Russia; the delta-winged Vulcan and the crescent-winged Victor, which do not figure in this year's estimates, can reach even further.

This is the winged deterrent on which hopes are based.



This map illustrates, in a very rough and ready fashion, the probable operating range of the aircraft at the disposal of the Western air chiefs. The limits shown for the fighter defences assume that the aircraft are based in Western Europe. The immense range of the inter-continental bomber opens a field for speculation on the possibilities of bombing missions that start from bases in Britain or the Arctic, and land on bases in another continent. But they are slower, and so more vulnerable than the medium jet bombers.

The defence of Britain against a similar air attack launched from the East is technically the most difficult task now facing the RAF. There is little room here for complacency. A modern jet bomber can be expected to approach at heights of twelve miles and at speeds of well over 600 miles an hour. Even with an early warning system strung out across Western Europe, the distance between the Russian bases and their British targets is so short, in flying time, that fighter defences must go into action at phenomenal speeds if bombers crossing the Iron Curtain are to be intercepted before they release their bombs against British targets. The fighters capable of reaching these speeds and heights, the Swifts and Hunters, will not be in service until later this year. And even these machines are hardly fast enough; they take four minutes or more to reach the heights at which bombers are likely to operate and can barely exceed the speed of sound.

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These essentially conventional cannon-powered fighters will be far less effective than the missile-carrying machines foreshadowed in the Air Ministry memorandum. The first of these to go into service would be the all-weather Javelin, an aircraft powerful enough to carry its own search radar and the additional weight of guided missiles, although not as fast as could be wished. But the Javelin does not appear in this year's estimates, and there is no certainty that it will appear next year. When air-to-air missiles do go into service, they will do much to restore the balance in favour of the defending fighter—provided that it is a supersonic fighter of the type that the Air Ministry expects to test this summer—but not enough to eliminate the risk of atomic bombardment. The cost in terms of manpower of a fully armed Javelin-type fighter is so high that defence by sheer force of numbers would never be possible. Nor, when the first primitive ground-to-air guided weapons go into service, is there any prospect that a barrage of these robot bloodhounds could be put into the air like anti-aircraft shells. Accurate warning and accurate location become the key to atomic defence. A warning system has now been largely completed, but its effectiveness is closely bound up with the existence of advanced bases in Western Europe; thus the air defences of this country depend largely on the

An Army Extended

THERE are nearly 445,000 men on the active strength of the British army, of whom just under 225,000 are national servicemen and just over 220,000 are regulars. The effective fighting force is the broad equivalent of 11½ divisions, of which more than four-fifths are overseas. This is a larger proportionate overseas commitment than is shouldered by the army of any other country; in fact, it is probably a larger proportion than any peacetime army has ever sent overseas before. And with this necessary exile are bound up the two principal problems before the War Office today: namely, the difficulty of training the army to carry out at least two very different types of job at the same time, and the difficulty of persuading regular soldiers to re-engage once their period of service is over.

Army's ability, in the event of a major war, to maintain a line no further west than the Rhine.

The Air Ministry's admission that the production, as opposed to the development, of guided weapons is about to begin underlines the special menace of guided weapons to this country. Here the West is at a decided disadvantage. Once an enemy missile has left the ground, no one knows either how to intercept it, or to deflect it from its target, and a country is left helpless in the face of rocket bombardment. Missiles are not yet accurate enough to be entrusted with the delivery of atomic warheads over long distances, but over short and medium ranges atomic missiles may be coming into sight—over just those ranges, in fact, that separate this country from the Russian troops in Germany and Austria. If communist forces were to reach the coast of Europe, this would no longer be a threat but a fact—and the warhead might be thermonuclear. Once again, the strength of the ground forces in Europe is the decisive factor for Britain's security.

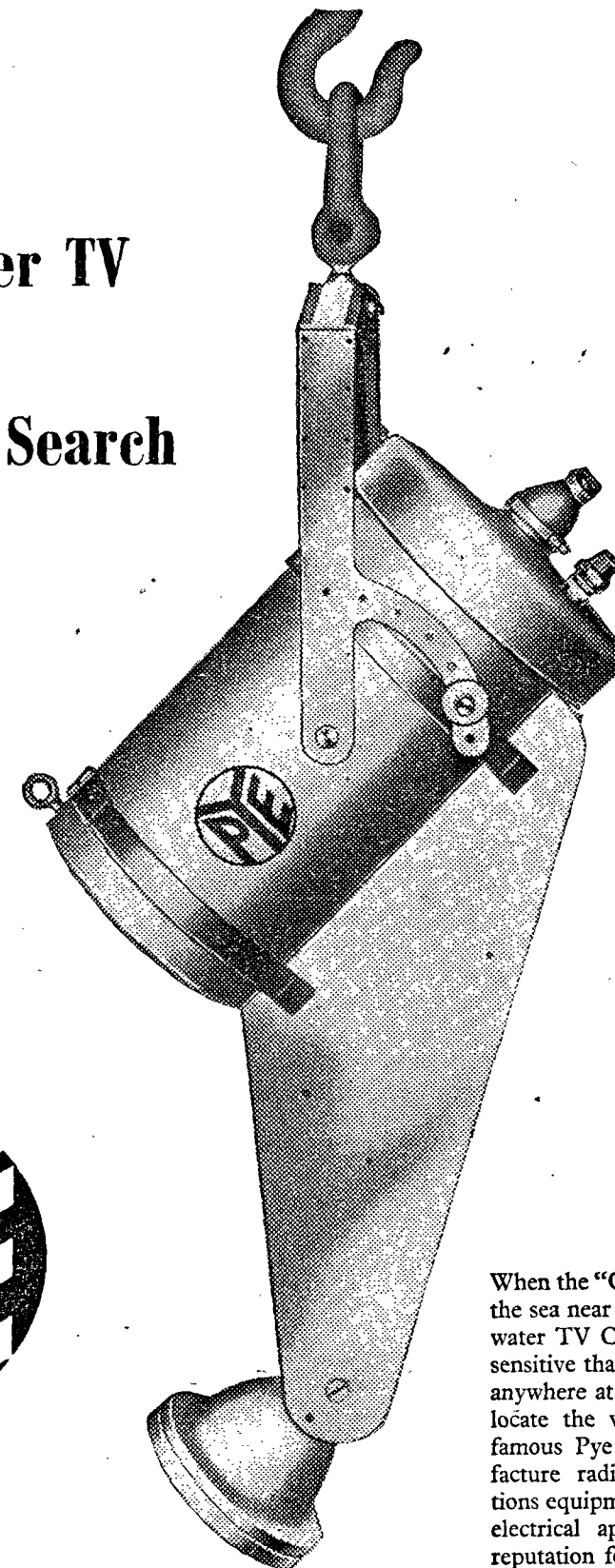
The technical problems of defence against atom bombers and atomic missiles account for the decision to build up a powerful retaliatory atomic striking force on the ground that it is the one practical deterrent to atomic attack. If the existence of such a force means that politicians on both sides refrain from using atomic weapons at all in a future hot war, the RAF's task becomes immeasurably simplified. The Air Marshals would still have a powerful striking force at their disposal, and they should be able to put up a defence effective enough to make conventional high-explosive bombing extremely costly to the enemy.

Given these two overriding preoccupations of attack and defence, has the Air Ministry devoted sufficient time or resources to its other responsibilities—to Coastal Command, to transport aircraft, to close-support aircraft, to the development of load-carrying helicopters for the Army? The other services, who are the first to feel the effects of any shortcomings in these directions, are inclined to press this question. It may be desirable to hive off some of these peripheral activities; when the Air Marshals have so fully adjusted their outlook to the atom, they can be forgiven for a less deep concern about the more mundane types of air operation. But skilled ground staff is acutely short, and this alone may rule out any such redistribution of duties in the immediate future.

At present, Britain has four divisions in Germany, and the equivalent of rather more than five other divisions spread across different non-European trouble spots or outposts of Empire all round the world. The divisions in Germany stand ready to meet the most modern and most horrible forms of great power warfare—first league warfare with an atomic vengeance. The divisions outside Europe, now that fighting in Korea has stopped, mostly stand ready for, or are actually engaged in, what might be called armed—and unpleasant—police operations. It is not easy for troops that are engaged in active operations in Malaya and Kenya (or even in guard duties in Guiana) to combine these duties with training for war in Europe.

The picture, therefore, is of an army that is uncomfortably

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fully employed and anxiously extended. The official decision that expenditure on the army must fall gradually in the next few years—to make way for increased expenditure on the air force and maintained expenditure on the navy, within the confines of a stable defence vote—has got to be made to fit in with these facts. And the understandable public clamour that the period of national service should be cut below the present two years has got to be made to fit in with them too. Apart from such trimmings on the expenditure side, as the decision not to equip the part-timers in the territorial army with the most modern weapons and a possible decision to reduce anti-aircraft command, there seem to be only two ways in which advances can be made towards the aims of smaller cost and fewer men.

The first way would be by a significant reduction in strength either in Europe or in the non-European trouble spots; this may happen anyway, but it would be a very dangerous happening unless international tension eases. It is idle to suppose that as manpower strength declines, mechanical strength can take its place. Obviously, the men on guard against Mau Mau and in Malaya cannot effectively be replaced on their present duties by machines. Even in Europe the popular conception that atomic missiles can soon replace infantry men in large numbers is mainly nonsense. Atomic bombs and missiles will grow more plentiful in the next few years, and they may make it impossible for any army to assemble as much force in a single segment as the Germans did in the Ardennes in the last war. But they are not going to make infantry men outdated.

The second way in which economies might be effected and progress made towards a reduction in the period of national service would be through a sustained growth in the regular army. Although regulars have to be paid more than national servicemen, a regular army is more efficient—and therefore more economic—than a conscript army in peacetime, if only because so many conscripts are moving out for duty and back for demobilisation across the world at any one moment of time. Because of this, and of ordinary troop movements, there are between 10,000 and 12,000 men perpetually in the pipeline today. But, in facing the problem of strengthening the regular army, a clear distinction needs to be drawn between the difficulties of recruitment and the difficulties of re-engagement.

The difficulties of recruiting regulars are not as great as is generally supposed. There were 83,600 regular recruits to the three services in 1953, and it is expected that another 80,000 will sign on this year. This is less than the 103,300 regular recruits enrolled in 1952, but as there are only about 300,000 men in each yearly age group in the United

Kingdom, the figures look surprisingly good. The army generally enlists about half of each year's batch of new regular recruits (that is, as much as the navy and air force combined), but there is a catch about its apparent success. The majority of regular recruits into the army are men who would otherwise be called up for national service. The choice before the national serviceman is two years in the conscript army, or three years in the regular army (with rather better conditions of service and prospects for promotion); alternatively a man can sign on for twenty-two years, with a right to leave after each three-year period.

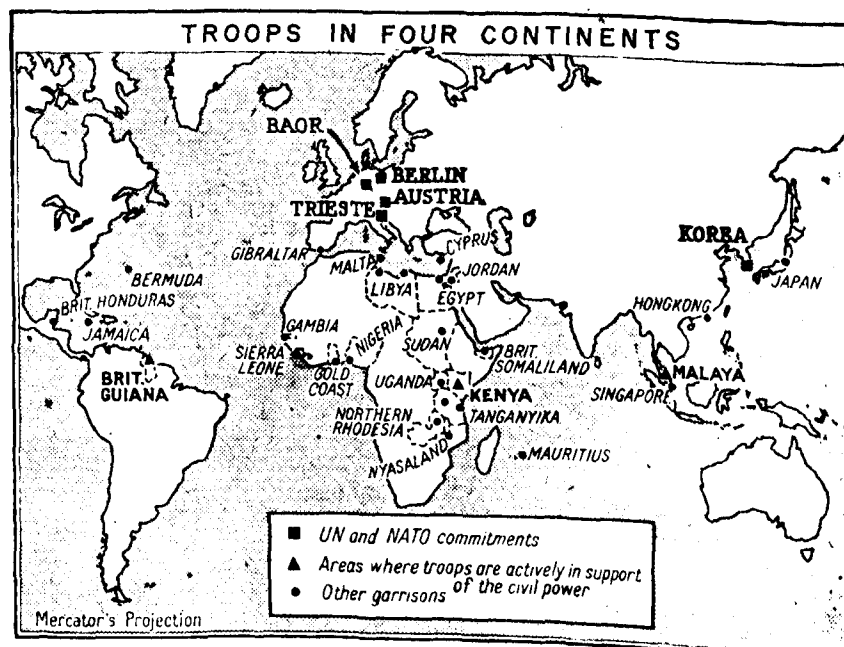
The War Office's biggest headache at the moment is that so many regulars are leaving the service when their stipulated period of service is up. The problem may be going to assume alarming proportions in the near future, for the first triennium under the system of three-year engagement ends in 1954. The army seems to be less fearful than it was a short time ago that nearly all the men concerned will refuse to re-engage, but it should be noted that re-engagements under previous systems of contract have been disappointing. Although the army attracted

42,700 regular recruits in 1953, the net increase in regular strength seems to have been less than 10,000 (last week's white paper on defence estimates that the army's regular strength on April 1st next year will be just over 220,000 compared with just over 211,000 on April 1, 1953). At this moment only about 10 per cent of the army has stood the course for more than six years, a far lower proportion of senior NCO material

and experienced tradesmen than an efficient army needs. There are two main reasons.

The first reason is that technicians who have acquired excellent mechanical or other training in the army can often secure very well-paid jobs in the fully employed industrial economy of civilian Britain. A man who has just turned thirty, who knows that he can still get a good job in a factory and who remembers that if full employment falls older men are the first to suffer, can hardly be blamed for not putting off his return to civilian life until he has just turned thirty-three.

The second reason lies in the statistic quoted at the beginning of this article: that so large a proportion of the army's effective fighting force is now stationed overseas, and two-thirds of them are separated from their wives and families. The rapidly changing pattern of Britain's worldwide commitments has brought with it bewildering movements of abode but not of home; with the best will in the world about the construction of married quarters, it is impossible to send a subsidiary army of wives and families to Kenya or Guiana, chasing after the drum. The Royal



Northumberland Fusiliers have moved eight times in the last seven years (between Italy, Gibraltar, Korea, Hong Kong and Kenya) and the battalion of the Argyll and Sutherland Highlanders now in British Guiana has moved seven times; indeed, if one counts movements within individual countries as well as between them, the Argylls have moved nineteen times in the whole period since VJ day, and it is possible to cite the case of some soldiers who have spent only a few months with their families in the last eight and a half years. In these circumstances it is not surprising that so many regulars are unwilling to extend their period of service; and it should be added that even those who have drawn billets at home have some cause for unrest. The fact that so many regulars are overseas means that the 18,000 or so regulars left to train national servicemen at home are being worked very hard indeed.

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There is therefore a clear need for increased inducements to persuade regulars to renew engagements as their periods of service fall in. The army's main hope is that it will eventually be possible to station at least half of its fighting units as a strategic reserve at home, and fly them out to trouble spots when necessary. But, until that day comes, the various inducements that can now be suggested have one thing in common: all would cost money. High up on the list should come more frequent home leave for regulars overseas; the air trooping scheme put into effect in the last year of the Japanese war had an electric effect on morale. A second step should be higher pay for technicians and for some ranks of non-commissioned officers; if these allowances have to be discriminatory as between trades—with special scales for special skills and

Waiting for a New Fleet

IN a time of changing weapons and unsettling ideas about the nature of future war, the Royal Navy spends anxious and frustrated days. It wonders what will happen to British sea power during the "gradual change . . . in the direction and balance of our defence effort" to which the White Paper on Defence cautiously refers. Minister after minister and one chief of staff committee after another has to be instructed in the historic axiom that if Britain is to fight, it needs food and fuel; and before it can get food and fuel it must trade; and both fighting and trading must be done across the sea. Once the sea routes between these islands and their friends are closed, defeat is inevitable. It is not easy to pit this humdrum common-sense against the drama of trans-continental atom-bombing, or against the urgent call for more divisions to keep Western Europe safe and free. What could be duller than the first sentence of the White Paper's statement on the Services programmes:

The Royal Navy will continue to concentrate on building up and modernising its anti-submarine and anti-mine forces, and on the completion of aircraft carriers now under construction.

It is not easy to remind the nation of its dependence on seaborne supplies when the paramount role in attack and defence is passing to aircraft. The Navy's best men feel

"dirt money"—the army must comfort itself that it is working in a competitive economy.

A third step might be an increase in the numbers and mobility of colonial forces. In 1946 the army voluntarily gave up certain tax concessions on the allowances and pay of the British officers and NCOs in charge of the 80,000 strong colonial army, and there is now a shortage of suitable leaders. Once anybody has given up anything voluntarily to the Treasury, he finds it extraordinarily difficult to get it back. It would perhaps be preferable to make direct increases in pay rather than a side-door shuffle back to the taxation allowances granted before 1946; but it should be noted that that tax decision in 1946 has had adverse effects—in particular in the re-engagement of technicians—within the British army itself.

This brief review has dealt only with the active army. Nothing has been said here about the 253,000 strong territorial army (of whom 192,000 are part-time national servicemen or national service volunteers) and the 137,000 strong army emergency reserve (of whom 126,000 are part-time national servicemen or national service volunteers); nor has anything been said about the speed with which men who saw service in the last war could be brought back into the front line if ever war returned. The reserve that could be put into the field by, say, A-bomb day plus six months, is bigger than Britain has ever boasted before. But this is comfort for a contingency that everybody hopes—and most people believe—will never arise. For the contingencies that are arising already, the blunt fact is that the British army has a quart of commitments to fit into a pint pot. If, because of demands for economy and of pressures to reduce national service, that pint pot is to be further trimmed down, those in charge of the re-engagement of regulars will have to do some very hard thinking indeed.

they lack real sense of direction so long as they cannot maintain for the service an offensive role. But how and where is it to be found? There is no enemy surface fleet in being to be challenged and mastered. Even if there were, the American, British, French and other fleets in Nato would have overwhelming superiority over it. The pursuit of the *Bismarck* might be repeated with the *Sverdlov* class cruisers, but hardly the battles of Matapan and the Coral Sea. Does the offensive role of the Navy then exist at all? If so, is the aircraft carrier the right weapon for it?

The Americans have thought it is ever since the Japanese war left them with a great carrier fleet. They have some 20 carriers active and 42 in reserve, against the Royal Navy's three active, five in reserve and four transferred to training. They are still building 60,000 ton floating air bases like the *Forrestal* to fly off medium bombers; the Royal Navy is thinking of more modest ships. The American Sixth Fleet in the Mediterranean could come swiftly to the aid of the armies of Greece, Turkey and Yugoslavia, with hundreds of fighter aircraft and a striking force of atom bombers. Or it could be switched in a matter of days from the southern flank of the Soviet bloc to its northern flank beyond Norway, or to within range of the Danish waters through which Soviet submarines would leave the Baltic

to attack the Atlantic trade routes. This offensive and defensive air force at sea, it is claimed, can play both technical and strategic roles.

The British naval officer wishes to share this offensive role, but he lacks the ships and the aircraft for it. His air colleagues—and some of his soldier colleagues—argue that all this can be done more cheaply, at longer ranges and with less risk, from land-based airfields over the whole land mass of the Nato countries. If a fleet carrier were sunk by a submarine with all its aircraft and its atom bombs, the loss would be well over £25 million. The RAF and the Army would prefer to spend that money otherwise. For the time being, the argument looks like being settled by decisions on priorities in aircraft design and production in which the Naval Staff has not the major voice. The British carrier still lacks offensive aircraft: it cannot ship the Canberra bomber, and its own Fleet Air Arm Wyvern is already outmoded. Between those two bombers lies a gap that is difficult to fill, unless fresh decisions are to be taken about the use of air power at sea. Soon, it is true, naval fighters will be as good as anything the RAF is getting; but their task is to defend ships from jet bombers not to carry bombs to land targets. Given the right kind

The Price of Arms

The defence estimates provide for the expenditure of £650 million on production during 1954-55. The probable cost of some of the items are given below:—

Fleet Carrier.....	£16 million
Medium jet bomber.....	£400,000
Light jet bomber.....	£120,000
All-weather fighter.....	£125,000
Day fighter.....	£75,000
Helicopter.....	£25,000
Centurion Tank.....	£35,000
3-ton GS truck.....	£1,200
30 automatic rifle.....	£30
Standard rifle.....	£15
303 ball cartridges, per 1,000.....	£20
2 in. mortar bomb.....	£1

of medium bomber, says the naval airman, the carrier could launch long-range attacks below enemy radar with every advantage of mobility and surprise.

If the case for the aircraft-carrier as the spearhead of the Navy is to be made successfully, it has to answer such questions as these:

- (i) Can it seek out and destroy, better than land-based aircraft, enemy surface ships and submarines operating on the trade routes?
- (ii) Can it protect against bombing, in the open sea or in narrow waters, convoys and fleets which cannot be covered by land-based fighters with limited endurance?
- (iii) Is it needed to carry out bombing and mining operations to which the RAF, with strategic and tactical tasks on land, might fail to give due attention?
- (iv) Is it needed for operations short of major war such as Korea and Malaya and to assist the Army in its police operations overseas?

Given the right aircraft and ships the Navy's answer is Yes.

Here, then, in the aircraft carrier are focused the hopes of a generation of naval officers who know that the battleship carrying the admiral's flag will never be built again,

and that there must be a pause in the building of cruisers, until the first guided-missile ship can be designed. The sailors are waiting on the scientists. Meanwhile, their old six-inch cruisers are barely adequate to keep Colonel Perón out of the Falkland Islands.

The sailors have had to fight hard to keep their present substantial share in the defence estimates. They felt that ground lost now would not be recovered in future; and in the future lies the immense task of creating a new fleet for the atomic age. By 1960 the present fleet, apart from its latest anti-submarine vessels and minesweepers, will be largely out of date. It will be important to guess right about the warships of the future; otherwise, the sailors feel, the vital importance of keeping open the sea routes of Britain and the Commonwealth will be lost sight of in the pursuit of the new strategy of atom-bombing and commitment on the Continent. But the scientists are not yet ready with their calculations of the effect on operations of new weapons.

★

It is unfortunate that the Navy, as it pleads its case, must sometimes appear as the enemy of progress, especially when it has itself initiated so many new ideas in technical research and development. But it has had to deal in the past with so many surprises that it is sceptical of other people's certainties about the future. For example:

1. Against the view, briefly set out in the White Paper, that any future war would be violent and short, it maintains that it might be what was called in 1940 phoney-and-long. If so, the need for sea-power to build up the forces of Nato would be overriding.
2. It does not accept the assumption of other services that, in case of war, the land forces of Nato would hold their position and airfields, so keeping the enemy away from the shores of the Channel, the Atlantic and the Mediterranean. It cannot dismiss the possibility of further battles to get convoys through the Mediterranean against land-based aircraft; of further evacuations of troops; of further marshalling of armadas to the continent or more distant objectives.
3. It accepts the overriding need for effective fighter defence of this country, but holds that lack of food, oil and raw materials would bring defeat more surely than enemy bombing.
4. It distrusts the idea of preventing war by the deterrent of atomic bombing, because it distracts attention from what would happen if the deterrent failed.

It is clear that the ideas expressed in the White Paper represent only a first tentative fumbling towards the new balance of forces that will be required in the future. In designing that balance, it is the duty of the Navy to call attention again and again to the maritime basis of British strategy. It may be that the scientists will devise new ways of arming ships which will restore to the Navy its traditional role of furnishing mobile striking power over great distances. The American nuclear-powered submarine is, perhaps, one portent of how it will be done. But until the ways are found the Navy will maintain the number and increase the efficiency of its aircraft carriers. It is an expensive and, perhaps, short-sighted way of maintaining effectiveness and prestige; but no one has thought of a better way.



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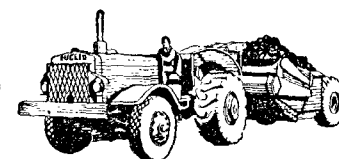
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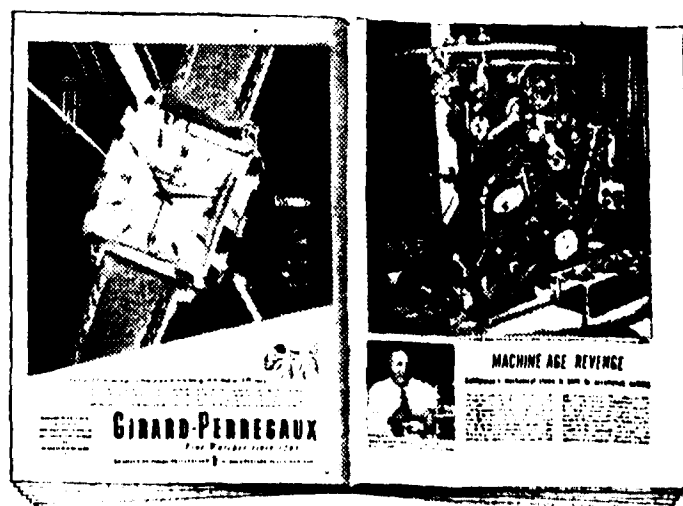
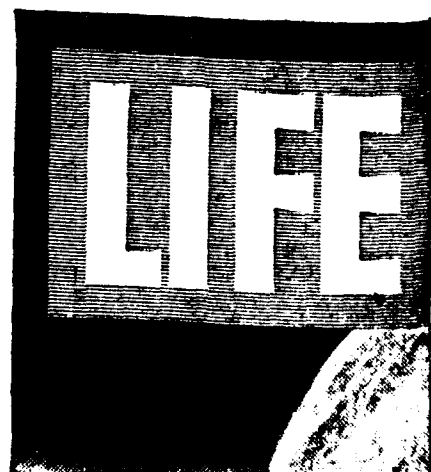
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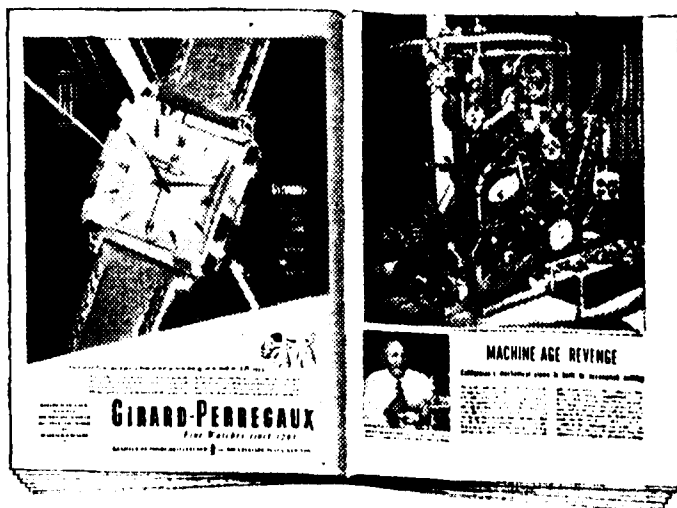
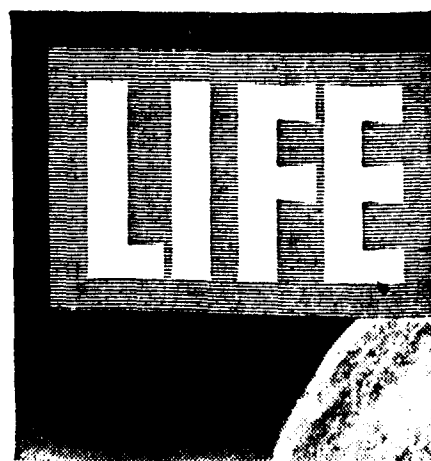
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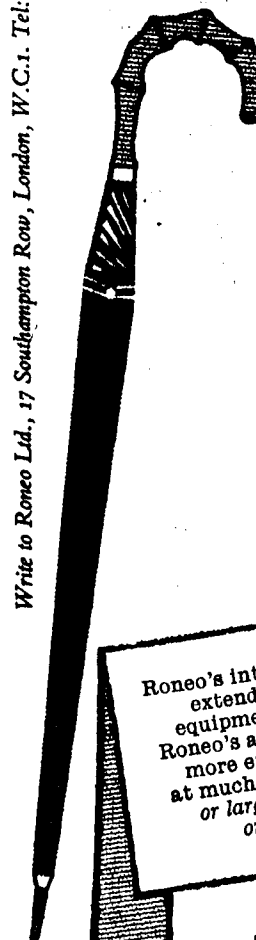
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A Daniel for the Spiral?

LAST new year's day, five distinguished gentlemen—a judge, a barrister, a chartered accountant, a tobacco manufacturer and the general secretary of a trade union—were given an unenviable task. They were appointed to two courts of enquiry into the wage disputes in the engineering and shipbuilding industries, which (if broadly defined) can be said to account for between one-third and two-fifths of Britain's export trade. They were asked, in effect, whether the country should buy off a strike in these industries, even if this might involve some risk of pricing British goods out of export markets.

In their reports, published last week-end, the courts intimate, as tactfully as they can, that they think it would be wiser to avoid a strike—by a wage increase in the region of 5 per cent, or just under seven shillings a week for skilled workers. This would represent an addition of only between 1 and 1½ per cent of the total sales value of engineering products; although for some products which are fairly typical of engineering exports it might increase costs of production by between 2½ and 3 per cent. But the real point is that the 5 per cent standard the courts now set is more than twice as great as the 2 to 2½ per cent annual average increase in real national production since the war; it is idle to suppose that some degree of inflation can be avoided if one sector of the community takes twice as much out of the pot as they and everybody else have put into it.

The courts recognised this point, and they were very uneasy about it. At the end of each of their two reports, therefore, they surged suddenly and boldly beyond their immediate terms of reference. They suggested that it would be "a most valuable contribution" if "some authoritative and impartial body" were set up to examine the wider problems arising from present wage negotiations, and in particular to assess "whether even a slight upward thrust in the inflationary spiral would be disastrous" under present circumstances.

The great virtue of this proposal is that nobody knows exactly what it means. Both the Government and the Opposition, however, are likely to take it to mean that representatives of the Trades Union Congress and the employers' federations should get together at the napoleonic level, to exchange arguments about wages and costs in general. Indeed, negotiations have apparently already begun to see whether the leaders concerned would like to do so. Sir Walter Monckton also made it clear in the House on Wednesday that recent proposals from the Ministry of Labour, for widening the scope of voluntary arbitration throughout industry, are based on the same desire to encourage this vague chumminess in high places; the essential foundation, he said, must be "organisation on both sides—well-organised employers and well-organised workers."

The aim of both political parties in handling industrial relations—whether they realise it or not—is therefore to concentrate more power at the pinnacle, and less at the peripheries. And, once this had happened, it would be a much shorter step than either party recognises

towards some attempt at formulating that most dangerous of all devices—a national wages policy. By this is meant a system whereby somebody should try to work out each year by how much the national income is likely to increase, and how that hypothetical increase should be divided between labour and capital. Once the leaders of the unions and the employers' federations had been brought together in some continuing body, they could fall into this habit almost in a fit of absence mind. But, inevitably, more and more outside "experts"—experts in the arts of economics or of compromise—would then be called in to work out proposals to lay before them.

★

The temptation is therefore irresistible to speculate about what sort of report such impartial "experts" should present at this time. The answer seems to be that they should present a report with three main conclusions; and that each of these conclusions, as impartial reports should, would probably annoy all parties—unions, employers, the Government and even courts of inquiry—equally and at the same time.

The first conclusion would be that the arguments upon which nearly all current wage bargaining and mediation are based are consummate nonsense. Arguments based upon relations between wages and prices are nonsense, because it is always possible to find some base dates (usually just after some previous wage award) since which wages have risen by less than prices, and some other base dates since which they have risen by more. Arguments that wage increases need not be inflationary if they are met out of profits are nonsense, because everybody knows that more kicks at ordinary shareholders (whose net incomes now amount to only about half their prewar purchasing power) can add only a few halfpence a week to basic wage rates; while transfers from undistributed profits towards wages are transfers from savings to spending power, which is what inflation means.

Even arguments based on relations between wages and productivity (although the best available) are nonsense in some degree, because levels of wages and productivity are as inextricably linked as the proverbial chicken and its egg. The major increases in labour productivity follow upon the installation of more efficient equipment; and, because of this, increases in wages which make labour more expensive in relation to machinery are a contributory cause of higher productivity as often as they are a result of it. The proper policy for progressive unions, as American experience shows, is to squeeze wage increases out of employers until they squeak, but then to put no barriers at all in the way of their installing labour-saving machinery.

If this doctrine was accepted, the second main conclusion of the report could be one that the unions would welcome: namely that, despite its disadvantages to pensioners and others living off fixed incomes, a little recurrent inflation—a tendency for wages to increase slightly faster than productivity—would be the best

recipe for a closed economy. But to this there must be added the immediate rider that Britain is not a closed economy; it cannot afford even a little inflation unless its overseas competitors are inflating, too. And, at the moment, Germany and some other industrial countries are unfortunately not inflating, while Britain is.

The third conclusion of the report would have to be that this process obviously cannot go on for ever. But economic forecasting is not a sufficiently exact science to permit any accurate assessment of whether the 5 or 6 per cent standard now set for this year's wage increases will bring early—as distinct from eventual—disaster. For what it is worth, the best hunch seems to be that the seven shilling standard—which may increase many British export prices by between 1½ and 3 per cent at a time when overseas markets are flagging—could have very serious consequences indeed towards the end of 1954. But it would be as absurd to suggest that the Government should delegate the task of making guesses on this matter to some impartial body as it would be to suggest some delegation of the guesses that each year underlie the Chancellor's budget.

★

Indeed, it would be more absurd, because the Government knows that it cannot itself frame a national wages policy in the same way as it frames a national budgetary policy. If it tries to adjudicate on what is the economic price of labour in a fully employed economy, it will then be called upon to adjudicate upon the proper economic price for every other factor of production as well. If it tries to apportion labour's share among individual groups of workers, it will find all employed persons climbing on to a bandwagon that is now filled only by the major unions (so that the major unions' share would have to be cut down, which would lead to strikes). And if it tries to guess in advance how much to distribute, it will throw away the main advantage of the admirable untidiness of the present wage bargaining system—the advantage that the system consumes time during which wage claims can be judged in the light of changing economic conditions.

Some people might criticise such a report as rude, or even unconstructive. But such criticism would be based on a total misunderstanding of the functions of wage arbitrators. The real objectives of the courts of inquiry last week were simply to arrive at the decision which they believed would have resulted from a strike, but at the same time to save the country from the inconvenience of a strike. It is probable that their decision is an unfortunate one for the national economy, but that does not mean that the decision that would have emerged from a strike—or from any more "authoritative" system of arbitration—would have been any different or any better. These disappointing Daniels have performed the only function that Daniels can outside the land of the Medes and the Persians; they have served not as oracles, but as emollients, in labour relations.

McCarthy against the President

THE melancholy story of Senator McCarthy and the Secretary of the Army is a painful reminder that, however much President Eisenhower may have gained in authority and grasp during his first year in office, he has so far failed to take the measure of the most dangerous man in the Senate. He failed again at his press conference on Wednesday, and passed to Congress the job of curbing Senator McCarthy's excesses. The Senator's insolent rejoinder immediately showed that he has no intention of mending his ways. A year or more ago it was taken for granted that when a Republican President, and one of Mr Eisenhower's stature and popularity, was installed in the White House there would be an end to the irresponsible exploitation of Communist fears and to the growing disregard for truth and civil liberties that had done so much to discredit the United States. Surely even Senator McCarthy would hesitate to foul the Republican nest, and if he did Mr Eisenhower, armed with the powers of the Presidency, would make short work of him.

What has happened, instead, is that the Administration, believing that the Republican Party could not afford a split, has retreated again and again before the Senator: "over loyalty in the State Department, over information libraries abroad, over the question of the Greek ships. Mr Harold Stassen, when he dared to criticise Mr McCarthy, was forced to eat his bold words almost as soon as he had uttered them. Only the Central Intelligence Agency and, much later, Mr Dulles were able to secure such unequivocal support from the President that they could stand firm. Such victories, won by the unscrupulous use of half-truths and unsubstantiated allegations and through an arrogant indifference to individual rights—all weapons from the arsenal of a Hitler or a Stalin—clearly have been undermining American influence abroad. But Senator McCarthy has also shown that, if he is not checked, he is prepared to dictate foreign policy as well as control internal security on his own terms.

Americans have been inclined to think that European opinion wilfully exaggerates the importance of Senator McCarthy. But the events of the past fortnight have set the alarms ringing all over the United States. If the President reads his newspapers, he can no longer have any doubt that his own prestige and party leadership at home and the good name of the United States abroad are alike in danger. The angry and forthright comments in American newspapers which are normally non-controversial or usually support the Administration (the Senator calls these "extreme left-wing elements of the press") are a heartening proof that many Americans detest both the Senator and his methods and are not afraid to say so.

The most remarkable demonstration of the Stevens affair is that the Administration is completely lacking

in any consistent plan for dealing with Senator McCarthy, whether to combat him, to neutralise him, or appease him. Mr Stevens was allowed to issue his proper defiance of the Senator for his bullying of General Zwicker and then left in splendid isolation to extricate himself and the Administration as best he might. Yet he had already shown, in an earlier case, that for all his courage and devotion to the Army he lacked a long enough spoon to lunch with Mr McCarthy.

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The President's admission of "serious errors" in the handling of the Peress case shows that he felt that Mr Stevens had chosen poor ground to do battle; if he had been questioned by the Senator before the television cameras, the Army would have been arraigned, not Mr McCarthy. Certainly the Army seems to have been somewhat absent-minded in this case of a dentist who was conscripted, commissioned, and promoted in a routine way before it was realised that he had invoked his constitutional privileges not to answer questions about his loyalty. But there was a principle at stake—the right of a loyal officer not to be insulted and intimidated for following orders not to discuss the Army's security procedures and there was a great deal of public indignation to build upon. The Administration will wait till doomsday if it expects Senator McCarthy to hand it a fool-proof case.

Lacking any message of support from the President, and oppressed by the fear that he might be blamed for splitting the Republican party, Mr Stevens went into the lion's den alone and came out skinned. What he gave away, when he agreed to let Senator McCarthy question everyone concerned with the Peress case, was the right of the Executive to run its own departments. Legally, Congress may have an unlimited right of interrogation; the courts have never been called upon to say. But in practice, once legislators of Senator McCarthy's stamp are free to question officials of departments, the constitutional separation of powers begins to break down; once the heads of departments refuse to protect their employees, or are not supported when they try to do so, demoralisation sets in. The Army has no desire to go the way of the State Department, which is finding it difficult to recruit new blood, and where, according to Mr James Reston of the *New York Times*, officials are beginning to reinsure their futures by currying favour with Senator McCarthy. Mr Dulles's demotion of Mr McLeod, the friend of the Senator who was made the security and personnel officer of the State Department, is an attempt to retrieve a disastrous piece of appeasement.

The President's failure to take the offensive against the Senator inevitably recalls how, during the election

campaign, he reluctantly abandoned his plan to defend General Marshall in the state of his traducer because the politicians argued it would not do to alienate Senator McCarthy. It seems all too likely that once more the President's desire to stand for principle has been sacrificed to what he has been led to believe are the interests of the Republican party. Unquestionably many Republicans regard Senator McCarthy as their chief electoral asset in a threatening year; even now, the chairman of the Republican National Committee considers that the Senator is only at fault when he turns his guns on his Commander-in-Chief. Death has wiped out the Republican majority in the Senate and by-elections have brought it near vanishing point in the House of Representatives. The mid-term elections, when the Presidency is not involved, traditionally strengthen the opposition. This year the swing may be sharpened by the recession and the discontent of the farmers.

The Administration, however, will have to consider whether a victory won under Senator McCarthy's banner would be worth having. The type of right-wing extremist who welcomes Senator McCarthy's aid is the type least likely to support the President's moderately progressive programme in Congress. The massive Republican defections over the Bricker Amendment show that little reliance can be placed on party discipline. A Republican Congress owing political

debts to Senator McCarthy might well place him above the power of any President to curb; he would be in a strong position to capture the party and imprison the President.

It is not, of course, only the President who has been unheroic in dealing with Senator McCarthy. Despite all the grumbling about him in the Senate, only one man, Mr Fulbright, had the courage to refuse to vote this year's appropriation for his investigating committee. The Democrats who walked off the committee in protest last summer and have just returned have shown no excessive zeal for the thankless task of keeping Senator McCarthy in check. The President has now indicated that he expects the other three Republican members to take a full part in the committee's work. The damage done to the Administration, to the Republican party, and to the Senate itself has been made so plain that motions are being made to draw up a code of conduct for investigating committees.

But none of these efforts to remedy long-standing abuses will come to much until the President, who alone has the necessary authority and popular support, shows by deeds as well as words that he is personally in the fight and is ready to support every effort to restore respect for the decencies of public life. There is not very much time left if the leadership of the Republican party is not to fall to the very elements in it that Mr Eisenhower was confidently expected to repress.

The In-and-Out in Cairo

THE voice of authority has quavered in Egypt and, as a result, a people with a marked taste for being told what to do is dubious and uneasy. On learning the news of last week's whirlwind changes from Neguib to Nasser and back again, factions both within and outside the regime—groups of officers, Moslem Brothers, the shirt movement that calls itself the Egyptian Socialist Party, Wafdist politicians—began to manoeuvre for positions that they had no chance of regaining so long as the Neguib-Nasser movement stood undivided.

Of two sharp impressions that emerge from a medley of reports, the first is that the mob, once a sinister master of events, was partly responsible for restoring General Neguib to the Presidency and has therefore recovered some of its deplorable power. The rest of the responsibility lies not within Egypt but outside it, in the Sudan. The young colleagues who so heedlessly toppled Neguib from office betrayed their inexperience of the world abroad when they imagined that, having built a leader up, they could change him with impunity. Not only in foreign but in Egyptian eyes, it will take more than a few sentimental photographs of reconciliations to paper over a quarrel so startling and so noisy as that of last week-end.

The trouble came to a head in the small hours of

February 25th. According to Major Salah Salem, who as Minister of National Guidance was responsible for explanations that were to turn out premature, that night's meeting of the Revolution Command Council, or military *junta*, was the culmination of a struggle that had been going on for ten months. One immediate cause of disagreement seems to have been an attack on the Turco-Pakistani pact which General Neguib had made in a speech on the previous Monday; the speech, which was contrary to policy laid down in the *junta*, had been censored outright by Colonel Nasser.

The outcome of the meeting was Neguib's "voluntary" resignation of his appointments as President of the Republic, Prime Minister and chairman of the *junta*, and the assumption of the second two posts by Colonel Nasser. The story was that Neguib, who had not "actually become a member of the Revolution Council" until August 25, 1952 (King Farouk abdicated on July 26th) had subsequently undergone "a psychological crisis"; this Major Salem described as "a craze for publicity, combined with a desire for power greater than those of a mere voting member of a council of ten to fifteen officers; 'in general he demanded absolute personal power.'" The *junta* also explained that it had been ready to return to barracks and to

bequeath Neguib the powers for which he asked, but had been prevented from doing so by pressure from "the General Assembly of Free Officers." This, in practice, is probably the committee of the officers' club in Cairo, the cradle of the 1952 revolution.

During the two days throughout which these details were being edited and broadcast, Cairo seemed gloomy and listless; no proclamation of emergency was necessary. Neguib was peaceably confined to his private house under an armed guard which even cut open the bread to see that it contained no messages. But meanwhile one army group was on his side. The Cavalry Corps, which is the armoured formation of the Egyptian army, let him know of its support through Major Khaled Mohieddin, who is a member of the *junta*, and so was able to visit him. On leaving, Mohieddin is said to have been arrested; but, meanwhile, news in another vein was reaching the *junta*. It learnt that the frontier police were for Neguib, not Nasser, that its adversaries were girding their loins for action, that demonstrations had taken place in Khartoum in favour of Neguib, and that there was imminently due in Cairo a disturbed delegation from the Sudan's National Unionist Party. This pro-Egyptian group owes its strength to General Neguib personally, and without him would have little on which to base its case for a link with Egypt.

The *junta* therefore authorised Major Mohieddin to return to General Neguib and ask him to resume the presidency. The General's agreement to do so must be seen more as an act of patriotism than of personal ambition; for he returns only as President of the Republic. The communiqué announcing his restoration is at pains to explain that he will have "no more governing power than the President of the French Republic." The public, which showed its joy by demonstrating in favour of Neguib and against a military dictatorship, drew attention to the uneasy balance of power that has been arranged. For though its idol returns to the head of the state, Colonel Nasser, who remains Prime Minister and chairman of the *junta*, holds the effective reins of power. Yet Nasser is, in a sense, Neguib's prisoner; for events have shown that not only the Colonel but also his officers' committee lack public confidence if they lose the Neguib hallmark. The General, though shorn of two major offices, has not come off the loser.

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By Monday, the sensational weekend was being written off as of trifling importance, as "a summer cloud quickly dispersed by the sun" and an interlude that in no way impaired the spirit or substance of the army officers' "sacred movement." Major Salem explained that, because the *junta* works on a basis of one man, one vote, its policy is unaffected by any deviation on the part of an individual. But this explanation puts altogether too bright a face on what was nearly a disaster. The oriental propensity for pinning hopes on an individual rather than on a policy is precisely

what restored Neguib to power. Moreover, immediately after his restoration, he moved into a strong personal position by reviving a promise of his early days—that he would rapidly form a constituent assembly and return to normal parliamentary life within three years.

Whether it strengthens the prospect of a stable Egypt is wide open to doubt. During Monday and Tuesday the *junta* arrested several party leaders, knowing or believing that they had been taking advantage of its momentary weakness. This is not a good prelude to a return to elected assemblies. Further, the history of the last five years in Turkey and of the last five months in Syria teaches the lesson that a dictatorial regime can afford to reopen the door to party politics only if its practical achievements are sufficiently solid and widely appreciated to silence recrimination. President İnönü succeeded in Turkey only after a quarter of a century of solid work.

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The Neguib regime has some such deeds to its credit, but they are not of the spectacular kind that attracts public acclaim. Notably, it has employed one of the ablest bankers in the Middle East as its Minister of Finance, and has therefore largely restored the nation's collapsed finances; it has pulled Egypt out of the economic slough into which the Wafd's disastrous cotton export policy had plunged it; it has begun to attract the first swallows, mostly German, heralding a return of foreign investment. It has performed the feat of getting Egypt's student generation off the streets and back to its books, the only way to prepare an educated, instead of a feckless, electorate. But such deeds mean little to adversaries who have lost access to the perquisites of office, who resent the price paid for public security in the shape of censorship and restricted liberties, and who can point to rises in the cost of staples such as bread and sugar.

Indeed, the regime's only spectacular feat was Neguib's remarkable personal success in capturing Sudanese support for a link with Egypt. It was in order to try to repair the *junta*'s thoughtless wrecking of this one unquestionable success that Neguib performed almost the most naive act of a rash weekend—his rush to Khartoum to appear there at the opening of parliament as if nothing had happened. His journey may not have been fruitless. Though it ended in anti-Egyptian riots, bloodshed and a return by dead of night to Cairo (a scene vividly described by an eyewitness in an article on page 705), his Sudanese adversaries may have overdone their demonstrations and overcalled their hand.

Although an offer to return to parliamentary practices looks so well on paper, it holds out no promise of stability. Indeed, prospects are the other way about. It is as likely to divide the *junta* as to unite it and, in a country so riddled by party faction, dictation is not to be deplored provided it is steady and selfless. For

what is the alternative? It is a return to shift after shift between parties which are too timid to explain that the way to social betterment lies through policies that do not please, and which are therefore too prone to bow to the impulses of untutored schoolboys. Even Iraq, which has today come nearer than any other Middle Eastern state to running smoothly under a parliamentary regime, is not yet wholly immune from this scourge of young democracies.

For lack of leadership, the outlook in Egypt is not bright. What is the public to make of a team that is waving ballot boxes in one hand and arresting politicians with the other? By far the most serious consequence of its disunity and diminished authority is that the progress of economic development and social welfare is now indefinitely retarded. Leaders fully occupied

in holding their own have no time for wider plans; rich Egyptians will not convert their bank deposits into new employment while in doubt as to who is going to run the country; still more hesitant will be the foreigners whose big investments are essential to all major developments, such as new Nile dams and hydro-electricity schemes. Nor has the incident strengthened, in foreign eyes, Egypt's case that it is now strong and stable enough to maintain the guardianship of a base at Suez. If leaders are to be so easily swayed by factors such as divisions within the army or the mob's impulses in Cairo or even in Khartoum, who can vouch for their reliability? Last week's events will take time to live down and whether the *junta* will be vouchsafed the time will be in doubt for weeks to come. Meanwhile, Anglo-Egyptian negotiations will have to wait.

Open Prisons—I

Convicts as Neighbours

"IT'S like the war—with this difference: the alert has sounded but there's never going to be an all clear." That was how a local farmer summed up his own and his neighbours' anxiety about the proposal to establish an open prison on their doorstep. In a dozen districts of England and Wales since the war people have had cause to feel as he did. They have suddenly been faced with the prospect of welcoming as their neighbours some two or three hundred criminals, penned at most by a low wall that any prisoner could vault, guarded by officers armed only with truncheons. Many have feared that their property would depreciate because the neighbourhood could no longer be advertised as "desirable." It is not surprising that proposals to establish open prisons have invariably met with bitter opposition beforehand from the local people.

This opposition has been heard at the local inquiries that generally precede the establishment of any open prison, and occasionally it has even succeeded in persuading the Home Office to make the Prison Commissioners change their plans. Usually, however, if the site is suitable—in the part of the country where it is needed, in a sparsely populated area which yet enjoys the main services—the authorities go ahead. They can comfort themselves that the local people almost invariably co-operate once the prison has been established; those who protest about being murdered in their beds today will tomorrow be vying for the social distinction of being asked to prison concerts.

Open prisons began as an experiment in penal reform, on Sir Alexander Paterson's thesis that "You cannot train men for freedom in a condition of captivity." They multiplied under the pressure of sheer necessity, because they can be provided so cheaply and so fast. The first experiment was the open Borstal

establishment at Lowdham Grange in 1930; and six years later the idea was extended to adult prisoners in a satellite camp at New Hall, near Wakefield prison. But though the experiment proved successful, no other open prison was opened before the war. Since the war, eleven open prisons—two of them for women—have been established in England and Wales, and one in Scotland. But the proportion of prisoners held in open prisons is still small—less than 1,500 out of a daily average prison population of nearly 20,000—and selection for them is carried out with great care, for on this the success of the system clearly depends.

The procedure of selection is least rigorous for those convicted of the least serious offences. Five open prisons (Eastchurch, Halden, Bela, Wellingore and Grendon) take "stars" (i.e., first offenders who do not seem to be of ingrained bad character) serving sentences of less than a year, as well as a few other prisoners whose sentences have less than four months to run. Many of the inmates of these five prisons are civil prisoners who have failed to pay their rates or maintain their wives and children; none has been convicted of a crime of violence. Some prisoners are sent there after the briefest stay in a closed prison—merely the time that it takes to complete the reception formalities, check their antecedents, and arrange the transfer. On a short sentence, or shortly before release, the incentives to escape are clearly much less than on a long sentence; it is not worth losing remission (in full, one third of the sentence) and being returned to a closed prison on the vain hope of for ever evading recapture.

Prisoners with longer sentences must be chosen with more care and must therefore spend longer behind bars. They are also usually sent to different camps. First offenders who have been sentenced to between one and

three years' imprisonment may be sent to an open training prison either at Falfield in Gloucestershire or at Sudbury Park, Derbyshire. With them are other prisoners, including some who have been sentenced by the courts to "corrective training," from which it follows that they must have been convicted of at least two previous indictable offences. The few corrective trainees who are allowed into open prisons are chosen carefully; they are deliberately mixed with the first offenders on the theory that this will assist their reclamation without corrupting the others—a theory based on the fact that 80 per cent of first offenders do not, in any case, get into trouble again.

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Corrective trainees who have not passed the rigid scrutiny needed for entry to Falfield or Sudbury Park may nevertheless find themselves living under open conditions in the satellite camps attached to two of the closed training prisons, Wakefield and Maidstone. Men may be transferred to these satellites at the Governor's discretion—as a rule towards the end of their sentences. Some of them have committed serious crimes, but the security is as non-existent as at the other open prisons. At Aldington camp, for example, there is not even a wall—merely an unmarked boundary. The prisoners go out in parties of twenty or so under the supervision of a single officer, to work for local farmers; sometimes a group of two or three goes to work unescorted.

Finally, the boldest venture of all is the open prison at Leyhill in Gloucestershire, which houses prisoners with sentences ranging from three years to life; of the 268 prisoners at Leyhill, 42 are convicted murderers serving life. But murderers, most prison officers will testify, are about the best behaved section of the prison population; having removed the nagging wife or rival lover, they often return to a quiet life. From Leyhill a dozen men may be seen riding out on bicycles in the early hours of the morning to go singly and unescorted to work on farms in the district. There was one disastrous episode here, when an escaping prisoner attacked a woman living nearby; and indeed, the number of escapes from Leyhill in the first two years—22 in all—was so high as to cast doubt on the whole system. But since then techniques of selection have improved, and for the last two years there have been no escapes at all.

In comparison with closed prisons, open prisons cost a negligible amount. Askham Grange, the women's prison near York, is a Victorian mansion which was probably unsaleable for anything except an institution; Leyhill was an American army hospital, Eastchurch a disused airfield. While money is short, these open prisons seem to be the only way of quickly relieving the appalling overcrowding in local prisons.

The question therefore arises: should the system be significantly extended? The first answer must be that although open prisons have not so far been a danger to the public, it would be a grave mistake to risk trans-

ferring men whose suitability is in doubt. The right type for an open prison is the man who is co-operative and rational; who is not subject to fits of rage or rebellion in which he blindly throws away privileges, remission and freedom from locks and bars; who is reluctant to risk the privileges of his fellow-prisoners along with his own; and who is suitable, by his personal habits and character, for dormitory accommodation. Finally, he must not already be so degraded that he prefers existence within cells and high walls (as some do) to the more exacting, more responsible life of the open prison. If risks are taken with prisoners who do not fulfil these requirements the whole system could be endangered. The tradition of orderly behaviour that has been so quickly established could be shattered, and a scared public would soon demand that all prisoners be locked up. There might be greater scope for expansion if there could be more prisons where open conditions are contained within a secure perimeter. One such prison exists—the Verne, Portland—and another is shortly to be opened in the Citadel at Dover. But moats, which provide the security in both cases, are somewhat scarce.

Secondly, however, open prisons cannot be justified solely by the fact that they do not seem to do the public any harm. It must also be shown that they do the prisoner some good. There are some critics who maintain that for a not unpleasant life, amid charming country, with plenty of distractions and all found, Her Majesty's hospitality has far too much to recommend it. But that is a question for a second article.

East-West Trade

It is plain, therefore, that the probability of war has already begun to tell on business in Russia. Contracts for hemp, and flax, and linseed, and tallow, and all other articles of export, are no longer entered into for spring delivery; and money, which it is customary to advance to all the growers and dealers throughout the country, is not advanced this spring. . . . While our exports to Russia were in 1852 . . . little more than the 78th part of our total exports . . . the exports of Russia to England were in 1847-48 one-third of her total exports. . . . At this particular season we have great need undoubtedly of the corn which Russia is accustomed to sell to us; but, as long as the present high price continues, corn will bear the charge of land carriage, and we shall not be deprived of Russian corn. As to timber, the stoppage of the supply from Russia will bring greater quantities from Norway and America, where the supply is at present practically unlimited at an adequate price. So with bristles, and hemp, and flax, and tallow, all the produce of a rude agriculture, and needing only room to grow them, of which there is a great abundance out of Russia. It is highly probable, we think, that the skill of the people of America, where the crop of hemp is this year remarkably fine, including our own colonies, will be able to produce all the commodities cheaper than they are produced in Russia, and that one effect of the war will be, should the Czar be mad enough to continue it, to hasten the clearing and the civilisation of the new world.

The Economist

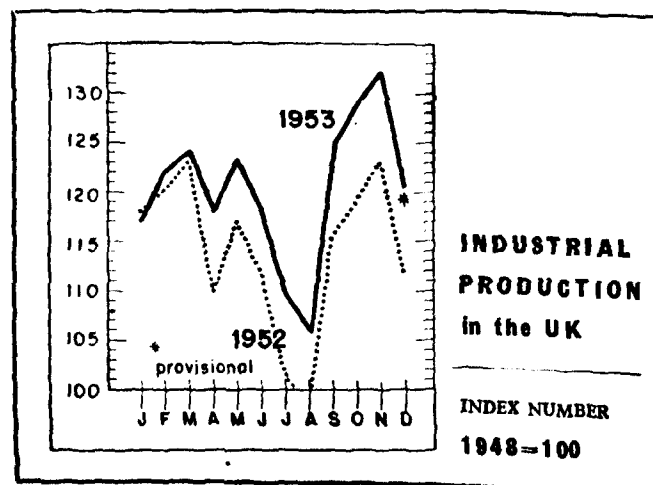
March 4, 1854

Notes of the Week

Laboured Defence

AFTER their brave stand on German rearmament, the Labour leaders have failed to show equal courage in standing up to the left on so delicate a matter as their own country's defence. They did manage to prevent a vote against the Defence White Paper as a whole, but only at the cost of much embarrassment and of having to move an essentially silly amendment. The amendment, which was duly defeated by 25 votes, criticised the White Paper on three counts: that it failed to make a proper allocation of national resources between defence and economic needs, that it made no proposals for a reduction in the two-year period of national service, and that too much was being spent on production and too little on research.

The reference to "a proper allocation of national resources" was merely a pompous way of stating the familiar Bevanite plea that the country cannot stand the present level of defence spending. In debate the Labour leaders tried to talk themselves out of this, by implying that they were worried not so much by this year's defence estimates as by the prospect that the present level might continue indefinitely. They were equally equivocal about national service, since they were forced to admit that the two-year term could not be cut without a reduction of Britain's commitments. The Government had great fun twisting Mr Shinwell on the spit of his own illogicality; he co-operated in his own torture by squirming round in a circle himself, as he tried to strike a responsible attitude in the Commons but to win an emotional success in the country. The third point in the amendment, urging more research and less production, was as intrinsically silly as the other two, but it could have been made to look more valid. It was characteristic of the party that it was the point pressed with least vigour.



The consequence of this performance is that the left is exultant but unappeased, thirsting to inflict more humiliations on Mr Attlee and Mr Morrison, while the right has sunk back into the apathy which is its normal condition. Any emotional success arising from the half-hearted reservations about national service will be reaped only in Labour's constituency parties, where it will all be claimed by the Bevanites. The right wing leaders—who must acknowledge in their hearts the bitter truth of Sir Winston Churchill's gibe that their party now appears to stand for rearmament in Germany but disarmament in Britain—should draw one conclusion from this week's embarrassment: in party, as in national, affairs there is no security in compromise.

Pay Packets and Big Battalions

THE unfortunate Mr Shinwell did have one happy moment in the defence debate. He described Mr Birch's opening speech for the Government as a higgledy-piggledy affair, and so it was. But Mr Birch's matter was more worthy than its presentation. He had three items of news to announce.

First, as was urged in *The Economist* last week, the Government is to spend a fairly substantial sum (£16½ million a year) in order to try to persuade regular servicemen to sign on again when their three-year contracts expire. The technically-trained NCO will rightly come off best from the pay increases, the technical warrant officer class 1 receiving an extra six shillings and sixpence per day compared with the ordinary lance-corporal's two shillings. The increases in basic rates, length of service increments, special tradesmen's rates and tax-free bounties for men who lengthen their service commitments are all discriminately designed to keep hold on the experienced NCOs and technicians that the services need most urgently. Among the officers it is the middle group—from captain to brigadier—who will benefit most; experience has shown that officers feel the pinch most at this stage, chiefly for family reasons. None of the rises will apply to national servicemen.

Secondly, and somewhat irrelevantly, Mr Birch tacked on the announcement that the Government has given in to pressure about the pensions of the 8,950 ex-officers and 3,000 civil servants whose remuneration was cut between the wars to 9½ per cent below the 1919 level. To all intents and purposes they will have those cuts restored. This announcement was accompanied by the pointed warning that the Government does not consider that there is "any sufficient case for further general improvements in pensions for public service pensioners." The case of the cut-back

pensions is clearly regarded as one that must not be allowed to set a precedent—perhaps not even for MPs' own pay.

Mr Birch's third announcement was that selected categories of part-time RAF national servicemen—who have hitherto gained from the fact that the RAF cannot always fit in the sort of territorial training that the army imposes on its ex-conscripts—will be given training in civil defence. They can thus form the nucleus of the urgently needed mobile civil defence columns. Since the RAF will not need to mobilise all its reserves on the outbreak of war, and since it is precisely in those first months of war that civil defence will be seriously short of men, this is a wise though belated decision. Even now, it seems, the training of these men may not be able to start before the summer of next year.

Green Branches in Kenya

THE announcement that Waruhiu Itote (*alias* "General China," the captured Mau Mau leader) is being used in an attempt to bring about the surrender of the terrorists in Kenya has led to a downright row between the Government and the Europeans. General China had—justly—been condemned to death. His crimes were bestial, and his surrender, when he staggered wounded into the government lines, was clearly not made in response to General Erskine's surrender offer of last year. He is now engaged in addressing appeals to his former subordinates and comrades and holding parleys with them, and his sentence has been commuted by the Governor to one of life imprisonment. The Europeans, from Mr Michael Blundell downwards, have called this move mistaken, immoral, and "a sell-out to the terrorists." The wilder ones are calling for the dismissal of the Governor and the Commander-in-Chief. Most people—at any rate in this country—would call it plain common sense.

The settlers are clearly not worried solely about General China. It is a much wider question than that. Mau Mau is as much a malignant growth as a straightforward terrorist movement; the dividing line between guilt, complicity and innocence is a hard one to draw. But if Mau Mau surrenders, an attempt will have to be made to divide the sheep from the goats. The settlers are now behaving as if they do not even want to see the attempt made—or even an attempt to bring about a surrender, in which the Government has explicitly refused to make promises of lenience. One is forced to ask how on earth the settlers think that wars are brought to an end.

It is too early to tell whether the surrender appeal will have much effect. General China appears to have said that many terrorists feel that the time has come for a move back on to the political plane—a remark which carries ominous undertones. But the writing on the wall spells something very different from the message that the settlers have been reading. It is that they must press ahead with winning co-operation for a multi-racial society, now or never. The tragedy is that a man so moderate as Mr Blundell should, only this week, have been swayed by the gusts of settler emotion into opposing a motion in the

Legislative Council which calls on Mr Lyttelton to take note of the desire of non-Europeans for greater representation in the Council.

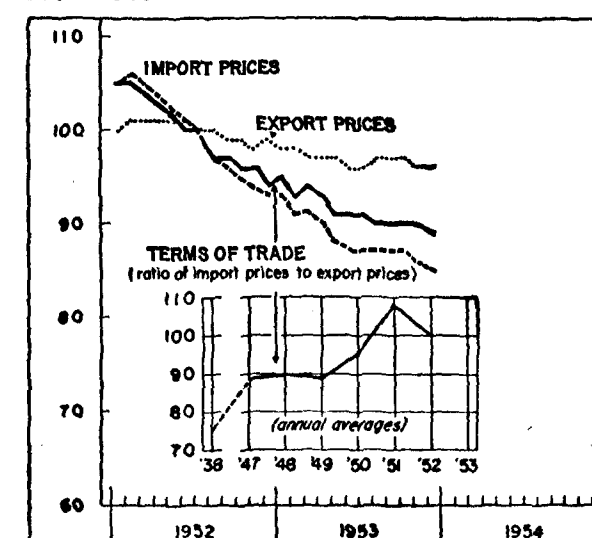
Towards German Rearmament

NOT until the end of this month will the Allied High Commission in Germany have to consider the amendments to the Federal Constitution that were passed last week in the Bundestag. They have still to go before the upper house, and there is ample time for the French High Commissioner, who is known to disapprove, to concert a view with his American and British colleagues. The amendments, whose passage is discussed on page 707, give the Federal Republic sovereignty in defence and state that the Bonn and Paris treaties—which require and entitle Germany to rearm within a European Defence Community—are constitutional. Legislation introducing conscription and other measures needed to set up a defence apparatus have yet to come; what is new is that they could now be passed by simple majority, provided that the Allied High Commission approved.

It is clear that this approval should be withheld until it has been settled beyond doubt whether there is or is not to be a European Defence Community. Allied policy is that German rearmament should take place in a certain way and with certain precautions. That is also Dr Adenauer's policy. If French resistance to the EDC makes that way impossible, then a new policy will have to be worked out by agreement between the Chancellor and the three allied governments. It is obviously too early for an agonising reappraisal of alternatives.

The German Social Democrats bear a heavy responsibility for their opposition to the EDC, but the latest German move shows that it is already late in the day for grasping that there will one day be a German army. The only remaining question is the form it is to take. Their line of argument is far more confused and split than that of the British Labour Party. They no longer reject rearma-

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1952=100



ment outright, but still illogically reject the only safe way to carry it out. They demand that there shall be no revival of militarist domination in the German state, but object to the EDC (which would make that impossible) on the grounds that it discriminates against Germany. They speak vaguely about a wider system of security than the EDC without making clear what they mean—unless it is the United Nations. When they demand that the EDC treaty should be more explicit in giving united Germany the right to secede from the community, they find themselves in company with right-wing Liberal Democrats whose motives are not above suspicion. It is a tragedy that the Social Democrats, a valuable force against a return to power by German nationalists, have so weakened their influence by lack of clear and sensible policies on defence.

Sir Winston Wishes

THE speech on foreign policy made in the House of Commons last week by the Prime Minister combined in masterly style self-justification and an apparent humility in the face of the facts of the Berlin conference. In essentials he has not changed in mood since last May, when he set Europe agog with wishful thinking, but he was in several respects more cautious. He holds "in reserve" the idea of a meeting between the heads of states and governments and insists that

it would certainly be improvident to see that resource used lightly, and it would perhaps be disastrous to use it in vain.

He seems more sceptical than he was about changes in Soviet foreign policy since the death of Stalin; and appealed openly to the Kremlin to realise its own responsibility for creating the Atlantic alliance it wishes to see abolished, and the advantages it could gain by making a "gesture of humanity" over Austria. Sir Winston remains poised high above the telegrams.

There would be clear advantages in his maintaining this position—for no other western statesman can—if it were not that his carefully balanced periods about on the one hand "building up the defensive strength of the free world" and on the other hand creating "conditions under which Russia may dwell easily and peacefully side by side with us all" were not so widely misunderstood. As one member pointed out in an excellent debate, Mr Molotov might have wanted to negotiate in Berlin if EDC had already existed; but Sir Winston's speech last May was a factor which helped to delay the creation of the EDC. Something similar now seems likely to happen over trade.

There is no doubt that the Kremlin, having committed itself to the great, double task of giving the Soviet consumer a new deal and making China into a powerful industrialised ally, needs the products of British and European heavy industry. To make possible some of the most valuable deals it has proposed, it will be necessary to reconsider existing restrictions on goods, the export of which increase Communist industrial potential.

The question arises—and the President of the Board of Trade shows no sign of facing it squarely when harassed in the House—whether a very important concession in the cold war is to be made by this country and its allies without some Soviet concession of equal value. Is it out of the

question for Mr Eden and his western colleagues to say to Mr Molotov that trade will be gradually made more free on condition that the Russians give a formal and public undertaking to withdraw public support from subversive movements in Asia and Africa? The Foreign Office could find interesting precedents for such a policy in Lord Curzon's dealings with the colleagues of Lenin. The present prospect is that there will be a headlong dash by businessmen to Moscow and Peking regardless of the political consequences of their actions. Sir Winston speaks of this as "friendly infiltration"; does Mr Eden agree?

Socialists and the EDC

LAST Sunday in Brussels the European members of the Socialist International passed a resolution on European security, with Switzerland, Sweden and Finland abstaining and only the West German delegates voting against it. Herr Ollenhauer and his colleagues opposed the resolution because implicitly it backed the European Defence Community. Yet the vote, as is often the case with official delegations, presents a simplified and distorting picture of Socialist attitudes towards EDC. Only recently it was revealed how evenly the Labour Party is divided on German rearmament. The secretary of the French Socialist Party, M. Guy Mollet, who is for the EDC, also has to deal with a strong opposition led by MM. Moch and Danie Mayer.

Indeed, it is on the discipline of M. Mollet's ranks that the fate of EDC may depend. It is generally estimated that about two-thirds of the French Socialist deputies are in favour of it, but in a close vote the obedience of "rebels" to party whips may prove of the utmost importance. At a recent meeting of the national council of the party the opponents of ratification deliberately avoided a clash, keeping their forces intact for the special congress that will be held on the eve of the ratification debate.

Thus the French Socialists may tip the balance in the decisive battle over EDC which will be waged in the French National Assembly. But when will this finally take place? France's allies will certainly press for an early decision before the Geneva conference in late April. The French government has already warned the deputies about the dangers of trans-continental horse-trading. If the opponents of ratification succeed in postponing the debate lest it should spoil the chances of a solution for Indo-China, Mr Molotov will be able to claim that delay had paid dividends, and that he, as a stone-waller, had emerged the victor from the Berlin test.

Burying a Failure

BENEATH its welter of complex details, the Government's new Town and Country Planning Bill contains important provisions for the future control of land use. It represents the second instalment of the Government's measures—the first instalment was the abolition of develop-

ment charges in 1952—for unscrambling the financial egg dropped by the Labour Government in its Act of 1947. The new Bill retains the system of close public control over all forms of development which was then introduced, while drastically altering the financial framework within which planning of land use has to operate.

The object of the 1947 Act was to eliminate the element of development value from the market price of all land. This was to be done by paying compensation once and for all, out of a fixed fund of £300 million, and by levying a development charge in all cases where development was subsequently permitted by the planning authorities. The theoretical merit of this arrangement was that planning authorities could refuse to sanction new development without incurring any financial liability. Its practical demerits were that it did not work as intended, and that it produced many inequities. The present Bill abandons this principle and ends the attempt of the Government to restrict the prices at which land changes hands in the open market.

Under the new Bill, the global fund of £300 million is abolished, but compensation will be paid individually, as the need arises, on the basis of the claims which have already been established. This problem of compensation has two aspects which the Government has wisely separated. First, there is the need to deal equitably with owners who have sold their land at restricted values in the last few years, or have paid a development charge under the terms of the 1947 Act. The Bill's ruling principle is that compensation claims in respect of these transactions should be met at once and in full (with accumulated interest), subject to the proviso that no owner should be better off than he would have been if he had sold his land at an unrestricted value. To sort out the actual compensation liabilities will be a very complex business, but the Government has adopted the only fair principle—even though in some cases the Exchequer will have to pay compensation without the community receiving any benefit. Unfortunately the cost of these immediate payments, estimated by the Government at about £30 million, will be roughly twice the net income received from development charges before their abolition. This loss must be written off as the price of an unsatisfactory experiment in control of land use.

New Plans and Payment

THE second, and more important, part of the new Bill deals with compensation for restrictions that will be imposed in the future in the interest of good planning. A gallant attempt has been made to deal fairly with owners, while keeping the cost of compensation reasonably low. Unfortunately, there is reason to fear that the scheme still may not work satisfactorily. When development is prohibited altogether, the compensation will in future be equal to the full 1947 development value of the land (as already assessed) plus an increment of one-seventh, which is intended roughly to cover net interest at 3½ per cent for the period 1948-55. Presumably further increments will be added after 1955. Public acquisition of land will similarly take account of 1947 values, and the system will exist side by side with a private land market in which current values will be paid. Understandable though this arrangement may be, in view of the extent to which land values will be created and

affected by planning control, it seems likely to breed a new crop of anachronisms. Any claim to compensation will run with the land and will not (as under the 1947 Act) be freely disposable.

At the same time, planning control will be strengthened by ruling out the right to compensation in a number of cases. For example, stipulations about the density of buildings, their design and appearance, and the provision of parking facilities (this last, a wise innovation) are to be viewed as reasonable requirements on social grounds. Development which is not broadly in accordance with the development plan of the local authority can also be prohibited without compensation—although compensation must be paid if a second application is made more than ten years later. This should prevent frivolous attempts to claim compensation, and it will also greatly increase the importance of development plans—which too many authorities now treat as loose frameworks for their *ad hoc* decisions.

Finally, all compensation will be paid by the Exchequer instead of by the local authorities. This will ease the strain on local finance (and thus remove one of the principal barriers to proper planning in many areas), but it will bring the planning authorities under much closer central control. The Government will be in a position to revoke or modify any of the local authorities' decisions if it objects to paying compensation. Restrictions which have been imposed during the last few years will come up shortly for ministerial confirmation, so that the new system (if Parliament approves it) will receive an early test. The merit of the scheme is that it tries to preserve and extend the best features of planning control; but its bifurcation of the land market and its assumption of centralised authority are dangers that will need to be watched.

Subsidy against Advertisers

THE Bill to introduce commercial television, in competition with the BBC's own service, is expected to be introduced into Parliament shortly after this issue of *The Economist* goes to press. It is already known, however, that the Government has taken the wise decision to allow the new and competitive corporation some income from licence fees, instead of leaving it wholly dependent on advertisements.

This was revealed in Parliament on Tuesday, when the Government announced that the combined radio and television licence will be increased from £2 to £3 a year. This increase had been expected for some time. The BBC has been running at a heavy loss, and has drawn down its reserves to a very low level. Since one-fifth of the revenue from sound licences has been used to finance television, it is fair that the new burden should be laid wholly on viewers. As there is no entertainment tax on radio or television, there is still to be some contribution from licence fees to the Exchequer; but the levy will now be fixed at £2,000,000 a year instead of being 15 per cent of a revenue which is expected to rise from under £13 million in the current year to about £20 million in 1957. This will help the BBC out of its difficulties, even though it will have to pay £750,000 a year towards the running costs of the new commercial television station.

Mr Herbert Morrison protested that a citizen who does not want commercial television, and who does not have his set adapted to receive it, will nevertheless be forced to pay something for it. "Subsidising advertising," some Labour members shouted. These shouts were nonsense. The "subsidy" is, of course, a protection against advertisers, not a buttress for them. The Government has rightly listened to those who urged that a television corporation completely dependent on advertisers might have to give them all their own way in order to attract enough custom. It would be better still if the new corporation drew only the smaller part of its income from advertisements. This would be possible only if the BBC also accepted advertisements between some of its programmes; but since both corporations would then be strong enough to make their own conditions, why not?

Old Look in Syria

By a coincidence, the very morning that brought President Neguib's resignation in Egypt was that chosen by part of the Syrian army to proclaim a revolt against President Shishakly. Here, too, division within the army created the upset, but the Syrian scene was different because the dissidents sought to restore the old political parties. In Syria, division into factions is wont to be additionally complicated by disagreement between Aleppo and Damascus which are, as it were, the Manchester and the London of the country.

The revolt was first announced by an army captain speaking on Aleppo radio. Within a matter of hours other captains had revealed that it had army support all over the country except in Damascus. By nightfall the Chamber, which was elected only last October and in which Shishakly's Arab Liberation Movement held 72 out of 82 seats, had also called for his resignation. By midnight he was over the Lebanese frontier and on his way to sanctuary in Saudi Arabia. Two days later, and after some street fighting in Damascus, his adherents there agreed to compromise with his adversaries. All united to restore to the presidency Hashem el-Atassi, the aged president whom Shishakly deposed when his personal rule began in December, 1951. A civilian cabinet has since been announced, with a prime minister from the National Party, and the army, by making itself scarce during all the inaugural demonstrations, has tried to show that it has no wish for political power.

The cabinet was meant to be a nationwide coalition. But it falls short of its objective because, it is said, the army rejected the inclusion of Akram Hourani's Socialists, and because the People's Party, the backbone of which is in Aleppo, would serve only under a prime minister who was an independent. It contains some strange team mates and no generally acknowledged leader, and the optimists of last weekend now seem unsure that they did right to put such an old man at the head of affairs. Life is no longer dogged by censorship and police spying, but it is once again exposed to the political merry-go-round that made tenure of office so uncertain in the past that there was no time for constructive work on development and welfare. In this field, Shishakly's democratic successors will have to sink many old rivalries if they are to do as well as he was doing.

Turkey Prepares for Elections

NEXT week the Turkish Grand National Assembly will be dissolved and will not meet again until after the general elections on May 2nd. Although no deep controversial issues of principle divide the two main contenders for power, the Democratic party and the Republican People's party, the election campaign promises to be a lively one with no holds barred. It will reflect much of the bitterness that has dogged Turkish politics since Ataturk's People's party was turned out of power in Turkey's first genuinely free elections four years ago.

Mr Menderes, the Prime Minister, has given a pledge that this year's elections will be as impartial as were those of 1950. His opponents profess to take this with a pinch of salt. They point to the recently enacted press law, parts of which could in their view be interpreted so as to muzzle the opposition press during the election campaign. Above all, they are incensed by the government's seizure, last December, of all the properties of the People's party, on the grounds that these had been acquired by "unethical means" during the party's long tenure of power. They have naturally interpreted this step as an attempt—largely, it seems, unsuccessful—to cripple the People's party's ability to run a full-scale election campaign.

The government, on the other hand, has provided some concrete evidence, in the shape of two electoral reforms, that it honestly wants fair and impartial elections. The first stipulates that lists of electors in each province must be submitted to all parties in time for them to be able to suggest alterations and additions. The second gives the task of settling disputed elections to a High Court of Elections, independent of both the executive and the legislature, instead of to the Grand Assembly. Thus in future the party enjoying a majority in parliament will no longer be able to settle disputed elections to its own advantage. This is an important reform. It suggests that the Democrats need no reminding that Turkey would not enjoy its present high standing in the free world if it had not demonstrated its desire and ability to make government truly representative.

Full Marks for ECE

THE latest survey of Europe in 1953 issued by the United Nations European Economic Commission (ECE) is a model of objective reporting and intelligent analysis. Not unnaturally people look to this Commission in Geneva for a thorough and unbiased analysis of economic conditions on both sides of the iron curtain. This time, within the limits imposed by the limited material available, they get all they can reasonably expect. Especially in dealing with countries of the Soviet bloc, it is always necessary to treat official claims with reserve, as so often these have been proved misleading by subsequent events. Moreover, not even the ECE is able to verify the official figures by its own independent inquiry; and the methods of collecting statistics and the manner of presentation are not adequately explained by governments concerned.

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HOTELS AND HYPERBOLE

Provident people plan their summer holidays well in advance and in this they are assisted—up to a point—by the idylls in the brochures of the travel agencies. The language in which these are composed can only be described as rhapsodic; but one formula used to occur which always had a slightly equivocal ring. *Comfort anglais* sounds on the face of it like a contradiction in terms; for the English, with their absurd licensing laws, their draughts and their defeatist cooking are widely believed to have a genius for making themselves uncomfortable. Yet by continental hoteliers the phrase was not used ironically; it signified their readiness to provide what we picturesquely call a "cooked breakfast" and also the eccentric repast known to them as *le five-o'clock*. *Comfort anglais* seldom appears among the hotelier's blandishments now. Nevertheless, the British still travel and, as the year advances reluctantly into spring, many of us immerse ourselves hopefully in the business of planning a summer excursion to the Continent. And, as we pore over the brightly-coloured pamphlets, we cannot help wondering how illusory are the amenities offered by the various caravanserais. Will the *terrace agréable* be a spacious pleasaunce commanding unrivalled views or is it merely a bit of the pavement with an awning stretched over it? We shall not find out till we get there; and often this is just as well.



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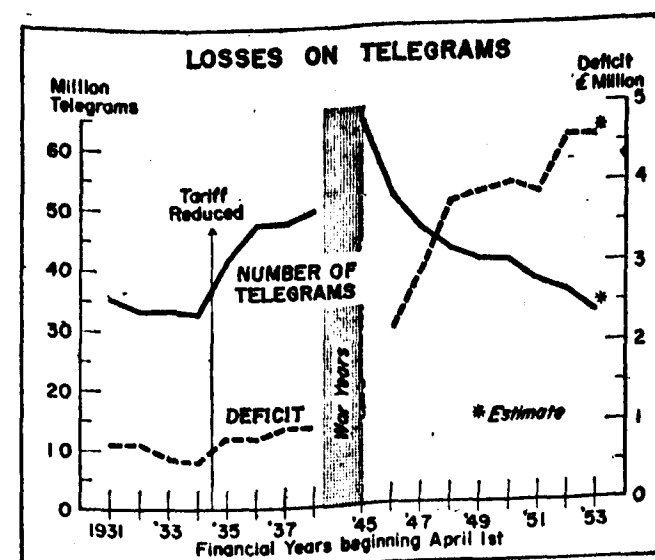
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In the past the Commission has been criticised, in these pages and elsewhere, for accepting with apparently too little reserve some of the official claims which ultimately turn out to be little more than propaganda. In the latest report great care has been taken to qualify all unverifiable statements. In consequence, the sections on the Soviet Union and Eastern Europe are sceptical to the right degree. The sections on Western Europe are examined on p. 706.

Dearer Telegrams

THE decision to double the charge for inland telegrams was long overdue. The average family spends only 2s. 9d. a year on telegrams, and since the Post Office has recently been making an average loss of 3s. on each telegram sent the economics of the system had become decidedly odd. Indeed, inland telegrams have not made a profit since 1872, two years after the Post Office took over responsibility for them. Lately, squeezed as they are between a more widespread telephone system and a more rapid mail, the number of telegrams sent has been falling rapidly. In 1935 the Postmaster-General tried to act as an economic man, by reducing charges to attract more traffic; but he only made the losses larger than ever. The



Post Office can also reasonably claim that strenuous efforts have been made to reduce costs—by sending telegrams by telephone, by rationalising the delivery system, by reducing staff, by automatic switching and so on—but to no avail. Even now that the charges are to be doubled, the users of other Post Office services will continue to subsidise those who send telegrams. The loss on telegrams will still be some £2 million a year, or more than twice the annual loss before the war. The main criticism that can be levelled against the scheme (although it is not a criticism that is likely to be widely propagated) is that there might have been a bigger increase on press telegrams; these are now to cost 3 shillings instead of 1s. 3d. a page, but, because they escaped the higher rates in 1943 and 1951, are still

highly privileged. On the other hand, it is sensible that, for the sake of those who are without a telephone and who live in the country, there are to be night telegrams at the existing rates, delivered with the first post. The new arrangements should hasten the decay of an uneconomic service while reducing to a minimum the hardship of those who are dependent on it.

Trouble over Teachers' Pensions

THE Minister of Education has run into a cloudburst of trouble over her new Bill to raise the superannuation contributions of teachers from 5 to 6 per cent, which would cost teachers an extra £4 10s. to £7 5s. a year on the basic scale. There is room for debate about the justice of this Bill, but unfortunately the debate is still being sullied by the deliberate injection of muddle about the facts.

The facts are that the Teachers' (Superannuation) Act of 1925 established a contributory pension scheme with—at that time—5 per cent contributions from each side. This was to be reviewed periodically to see whether the contributions were actuarially sufficient to support the benefits. They are no longer sufficient, and for an obvious reason. Since teachers' pensions are related to salaries just before retirement, teachers who paid 5 per cent of their 1925 salaries into the pool in 1925 did not in that or immediately succeeding years provide sufficient to meet pensions based on the much higher salary scales of the 1940s and 1950s. The actuarial deficiency in the fund now amounts to about £194 million.

Across this trail have now been dragged two red herrings, and two plausible arguments. The first red herring is that the fund has an accumulated credit balance of £232 million; teachers of mathematics plainly ought to explain to their colleagues that every pension fund has to have an accumulated credit balance, even when it also has an actuarial deficiency. The second red herring is that this credit balance is still increasing, and will continue to do so for about five years. This is largely because the Exchequer is shouldering directly the full cost of pensioning service before the contributory scheme was introduced in the twenties. The last gasp effects of this slowly dying liability are wholly irrelevant to the debate of 1954.

The first of the two plausible arguments against the new Bill, however, is that newcomers to teaching could provide for their own pensions by continuing to pay contributions of 5 per cent—provided salary scales do not mount substantially between now and when they retire. Since their contributions (like those of existing teachers) are being raised to 6 per cent, they will be providing a little extra to help meet some £66 million of the accumulated actuarial deficiency of £194 million; the Exchequer, not ungenerously, is to meet the other £128 million over the years. The final and most plausible argument on the teachers' side is that many other pension schemes show an actuarial deficiency—and are being allowed to gape. In many private industrial schemes employers—especially those who have not recently consulted actuaries to find out what is happening—are meeting this problem by small but recurrent *ex gratia* payments themselves, or else by mulcting the accumulated

fund. It is a question for reasoned debate, and not for pressure group pyrotechnics, whether public authorities should slide and do likewise.

The Law and the Homosexual

THE Home Secretary will clearly have to announce shortly whether he agrees to an inquiry into the laws relating to homosexuality. The case for an inquiry has been strengthened by the views expressed by a body of Anglican clergymen and doctors in an interim report produced for the Church of England Moral Welfare Society.

The report, which is not for general publication, makes some interesting distinctions. Many people will quarrel with the authors' somewhat rigid classification of types of homosexuals. But there will be general approval of their emphasis on the distinction between homosexuality as a condition and homosexual acts. The condition itself, they say, is morally neutral; it is not blameworthy because the homosexual himself is not responsible for his condition, which may be innate or have been acquired in childhood. Homosexual acts, on the other hand, are morally wrong. The homosexual cannot expect a wider moral latitude than is allowed to others—though he needs, and should be given, more sympathy and help because marriage is denied him. But the report recognises that the fact that homosexual acts are, in the eyes of the Church, a sin, does not mean that they should be treated as crimes punishable by the state. Fornication and adultery are sins; but they are not crimes, though they may well have much graver social consequences than homosexual practices. It is, therefore, anomalous and unjust that consenting homosexual men can be prosecuted and sent to prison when the criminal law ignores both heterosexual sins and homosexual practices among women.

By this distinction between sin and crime, the authors of this report come down heavily on the side of those—for whom Sir Robert Boothby has become a self-appointed advocate—who ask that the law should be altered. Like Sir Robert Boothby, the Anglican reformers recognise the duty of the state to protect the young and preserve public decency. But they also point out that the present law provides an opportunity for blackmail and may be indirectly responsible for some suicides. By giving the homosexual a grievance it also encourages him to ignore the moral implications of his acts. The Home Secretary may argue that the law should not be changed in a hurry. But he will be flying in the face of informed opinion if he even refuses an inquiry.

Russians Off to the Land

SOVIET agriculture has a crucial role to play in the new regime's policy of improving the consumer's lot. To increase the output of foodstuffs and agricultural raw

materials a new programme was sketched out last year, which combines short-term incentives and long-term modernisation schemes. But it now appears that the government is counting not only on higher yields but on a rapid extension of the area under cultivation. A campaign is now in full swing to encourage the migration of town dwellers eastwards to the virgin and less hospitable lands of Kazakhstan and Western Siberia. Last week a special ceremony was held in the Kremlin, attended by the highest dignitaries of Party and state, to celebrate the departure of young Moscow Communists to the Altay regions of Western Siberia. The Soviet press is full of reports about young drivers, mechanics and other factory workers leaving to conquer the eastern lands.

The plans are ambitious. In Kazakhstan alone 6,400,000 hectares, it is claimed, are to be brought under cultivation by the end of next year. No figures are given for Western Siberia, though "hundreds of thousands" are to be moved there. Thus the eastward shift begun during the collectivisation, and precipitated by the war is now again being speeded up. Many birds could be killed with the same stone: agricultural output could be stepped up; the new granaries could help in hastening the industrial development of these regions. Mushroom towns grew up in these areas during the war, often outstripping the local food supplies; but with the rich Kuzbas and Karaganda coal deposits and with a wealth of mineral resources, northern Kazakhstan and the Altay could easily become the two most important industrial centres of the Soviet Union. There would be obvious strategic advantages in establishing alternative concentrations of industry to those in the vulnerable west.

The idea is not new, though it has been given a new impetus by the present agricultural drive. But the great difficulty has always been to find pioneers for the distant, unexplored territories. In Canada, for example, monetary incentives are offered to attract volunteers. In the Soviet Union appeals have been made to the enthusiasm of Communist youth, but slave labour was the chief instrument in the conquest of nature and the exploration of uncharted roads. Now, apparently, camp labour is to play a diminishing role in the economy of the new regime. The climate of Altay, though mild by Siberian standards, is not particularly attractive to, say, Ukrainians or Moscovites. What sort of incentive will Malenkov and Khrushchev use to foster mass migration without the use of force or threats?

Controlling the Universities

THE financial independence of the universities is the subject of a leisurely but stubborn game of shuttlecock between the Public Accounts Committee and the Treasury. The Treasury has recently batted,* and as it is batting for liberalism it is very much to be hoped that it will win its point.

The problem at issue is the capital expenditure of the universities financed by the Treasury, which is now running

* Treasury Minute. Special Report from the Committee of Public Accounts. Session 1953-54. HMSO. 1a.

at nearly £7 million a year. The Public Accounts Committee has pressed year by year for the books relating to this expenditure to be open to inspection by the Comptroller and Auditor General. The Treasury asserts that this would necessitate increased official intervention in and control of university affairs, to which it is very properly opposed. But since the Public Accounts Committee obviously means business, some compromise has become necessary. The Treasury has therefore proposed that the University Grants Committee should appoint one or two people to visit the universities and investigate their methods of controlling capital expenditure and to report back to the University Grants Committee. Their reports, together with recommendations for improvements, would be made available to the Public Accounts Committee.

This suggestion has merits of its own. Some universities are less efficient than others; they need and would often welcome advice on methods of controlling expenditure from so fatherly a source as the University Grants Committee. But will the Public Accounts Committee accept a proposal which would leave the universities' books still closed to them? The relation between the Treasury and the universities is unique, and the Public Accounts Committee could all too easily damage it. The new proposal gives much of the substance of what has been demanded. Now that this has been conceded, Parliament would be wise to give up the shadow.

Films, Flongs and Small Fry

INQUIRY into the influence of press, radio, and films on the moral and intellectual development of children and young people the world over was an obvious task for Unesco, a body which is always eagerly searching for obvious things to do. The results of such an inquiry, carried out by M. Philippe Bouchard, are now available.*

M. Bouchard is sensibly undogmatic. He believes that films can turn a youngster towards actual delinquency "only when the child is already, to some extent, vulnerable"; but that the cumulative inculcation of false values (black-and-white crudity of character, glorification of "the easy life," the establishment of either violence or "glamour" as an expected norm, the simplification into cliché and formula of all the complexities of human relations) is a distorting and impoverishing influence on character. These conclusions apply not only to films but to "comics," other reading matter, and broadcasts. (Television is hardly touched on, being important as yet only in Britain and America.)

The report is at once highly entertaining and profoundly depressing. The portrait of the typical "superman" of the comic strips is rich and recognisable. "His narrow cranial capacity has become classical and his receding forehead contrasts with very muscular arms and legs." . . . His language gives the translator no difficulty, for it is mostly a matter of grunts—"Oof, Wham, Bam, Ugh, Bang, Beeyah." He totally lacks a sense of humour; he inhabits a joyless world, "a nightmare of summary executions, air raids and atrocities." Unfortunately he cannot be prosecuted either for indecency or for subversive and criminal activities; he is

* The Child Audience. Unesco. HMSO. 198 pages. 11s. 6d.

Good. And the less likeable he is—the same can be said of the slouch-hatted detectives, the stereotyped Western heroes, the secret agents, the space-suited morons of the future—the better he sells. "It is clear," says M. Bouchard, of the "flongs" from which American strips are printed in France for the British and other European markets, "that the most mediocre publications are exported abroad because by appealing to the least desirable tastes they can reach the greatest number of children." To discover the causes of this virtually universal taste for garbage might be more useful than to seek ways of circumventing and frustrating it; but no notion of the way to set about discovery has yet dawned on educators, child psychologists, and the public-spirited providers of better films, magazines, and comic-strips. Superman always wins.

Living Costs in Cities

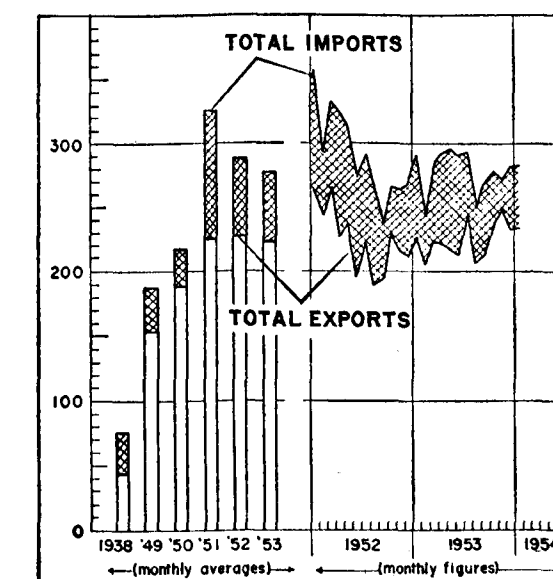
THE Statistical Office of the United Nations believes that salary earners will find that £76 goes as far in London as £96 would in Paris or £100 in New York. Some of its latest estimates on living costs in different cities are reproduced below. Based on the spending habits of international civil servants, these calculations compare the level of prices in each city with that in New York, after local prices have been converted into dollars at official exchange rates.

COST OF LIVING FOR SALARY-EARNERS

Autumn 1953: New York City = 100

Paris	96	Brussels	85
Buenos Aires	91	London	76
Geneva	90	Vienna	75
Rome	90	The Hague	72
Mexico City	87	Copenhagen	66

THE UK TRADE GAP
£ MILLION



Letters to the Editor

Middle-Age Spread in the Banks

SIR—The article in your issue last week was obviously intended to be provocative, and inasmuch as it provokes constructive thought it is, of course, to be welcomed. However, it is to be regretted that the writer's argument is based so largely on unsupportable guesses and loose generalisations as to be of little help to those who are interested in the continued well-being of the British banks.

It is impossible within a small compass to reply to more than a few of your correspondent's points. He makes an interesting suggestion that the private and professional borrower has an alternative source of finance in specialist loan organisations. Yet the facilities afforded by building societies, hire purchase concerns, insurance companies, and the like (if these are what are meant) are very limited in scope, albeit less controlled by Treasury directives, and generally much more expensive than bank accommodation. They are not considered a serious competitive element to normal banking.

In commenting on mechanisation your correspondent loses sight of two obvious factors. One is that the installation of mechanical devices must be governed by principles of economic cost. The other is that public co-operation may be necessary, as for example with the mooted "electronic cheque." Business organisation is built around existing systems, and any radical departures may be resisted. Indeed the conservatism of the public was clearly demonstrated when the size of cheques was standardised in wartime. Nevertheless far greater strides have been taken in mechanisation than your correspondent credits, and experimentation with prototype machinery is continually going on.

Other points of disagreement with your contributor are not difficult to find. There is no question of "heavy" payment for detailed statements of account; reference to the monthly staff magazine of any bank shows what branch to branch movement takes place—despite housing and schooling problems; banking is not alone in having men whose careers date from the first world war (would your correspondent exclude them from responsible positions?); the banking business unadaptable to mechanisation is not necessarily handled inefficiently. And if entry into bank employment today "must be something of an act of faith," is this not equally true of other businesses, professions, trades and industries?—Yours faithfully,

J. A. HUNSWORTH, Secretary,
Banking Information Service
London, E.C.3

Apartheid in the Universities

SIR—In your issue of February 27th, Professor D. W. R. Hertzog defends the racial policy of South Africa against "a lot of criticism from unenlightened outsiders," yet completes that sentence by saying that the alternative to *apartheid* "is the lynchings of the southern states of the USA where the Federal Government, ideologically blinded by the theory of equality, has been enforcing contact on the people." Mr Hertzog thereby proves himself an "unenlightened outsider" to the USA, drawing a common caricature of the southern states not in keeping with the facts.

In its annual report on racial violence in the USA, the Tuskegee Institute, a Negro college in Alabama, recently reported that there were no lynchings last year and so few in recent years as to justify the conclusion based on the downward trend for decades that lynching had ceased to exist as a problem in racial relationships. To be sure, the report pointed out, other forms of pressure on Negroes continued on a limited and declining scale, none involving such a terrorising disregard for life or law; but for each example of such pressure that is cited the impartial observer might also find new examples of acceptance of the Negro into the American economic and social structure. One of the best examples is in the American armed forces, where integration of Negroes with whites has proved smooth and successful—not a case where contact "must result in friction and bloodshed." Through continued contact becoming more peaceful, Negro and white have learned to live together within the same economic and social structure, the Negro minority gradually assuming a place in that structure proportionate to its size.

There lies the reason Mr Hertzog cannot validly point to this country as a horrible example of what he considers the only alternative to *apartheid*. But there also lies the clue to why he will not accept the American solution of absorption into the South African structure: the South African non-whites being the actual majority, the massive impact of their seeking a place proportionate to their size would inevitably change that structure which Dr Malan, Mr Hertzog and others seek to defend through inflexible adherence to *apartheid*. It is not an easy problem for the whites of South Africa, and though the world is appalled by the implications as well as the practice of the present policy, no solution acceptable to both groups

is offered, not even by the United Party. Let Mr Hertzog and others not, however, attempt to make their solution look like the best one by representing it as the only alternative to an untrue picture of the southern United States.—Yours faithfully,
Louisiana, USA HENRY S. BRADSHER

★

SIR—In a letter in your issue of February 27th, Professor Hertzog asserts that because of the racial complexity of South Africa, "the Government must ease the tension by limiting contact and ensuring separation in all spheres and places where it is possible." I fear that confused and prejudiced thought has led him to such a definitive and categorical conclusion.

Mr Hertzog tells us that these pernicious contacts, if not limited, will lead to "lynchings of the southern states of the USA where the Federal Government ideologically blinded by the theory of equality has been enforcing contact on the people." As it is admitted that a lot of daily contact is unavoidable, the point at issue must be social and academic contacts.

Has academic contact at the University of Cape Town in fact been harmful? Is there such resentment that a predominantly European university should nominate two African members to its Student Representative Council? On the contrary, I think that the liberal attitudes of the Universities of Cape Town and the Witwatersrand have done much to improve race relations in South Africa. They have done much to lead to understanding and tolerance between the black and white races, and to answer the silly notion that Africans are inferior. Restriction of this important academic intercourse between intelligent and educated members of the community can do nothing but harm.—Yours faithfully,
EDWARD OSBORN
The Queen's College, Oxford

Enterprise in the Air

SIR—According to published timetables, BOAC are currently operating 15 flights across the North Atlantic each week and these will be increased to 23 weekly in the spring. Each of these flights is a combined passenger, mail and freight service. The contention you made in your article of February 13th that the British Government were proposing to grant a freight monopoly to Airwork Limited does not accordingly bear scrutiny.

On the other hand, passenger and mail traffic on the North Atlantic, so far as British enterprise is concerned, is the absolute monopoly of BOAC. No other British service is allowed. I imagine Airwork would welcome an opportunity to share BOAC's trans-Atlantic passenger and mail monopoly on the same terms as BOAC are already free to participate in Airwork's so-called cargo monopoly.—Yours faithfully,
London, S.W.3 L. CASTLEMAINE

Just look at these facts, Mr. Evans

Mr. Stanley Evans, M.P., who pictures British farmers as lying lazily at ease on their feather-beds, with their hands in the pockets of the British public, should consider these facts:

With an annual turnover of £1,200 millions, British agriculture has increased output by 51 per cent. since pre-war—an achievement equalled by no other country in the world.

Production per man has gone up by 40 per cent. (steel 39% and coal 4%).

Crop yields per acre have risen on average by 10 per cent.

Milk yields are up by from 10 to 15 per cent. per cow.

Average prices of the chief farming products have risen by only 14 per cent. compared with 47 per cent. in mechanical engineering.

What is Mr. Evans' first reaction to this record of achievement? He wants to "clap a flat tax of £2 per acre on every agricultural holding tomorrow morning."

Yet, farmers are already prevented from lowering their costs and raising their output still further by lack of capital due to crushing taxation and unavailability of low-interest long-term credits.

Our farmers are not fools. They know that the only sure guarantee of their own future prosperity is large-volume, low-cost output and cheap home-grown food. The way to get it for the British public is not to attack the British farmer but to assist him.

In Italy farmers get five years' credit at only 3 per cent. for the purchase of machinery. Why not here?

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Books & Publications

Close-up of 1951

SURVEY OF INTERNATIONAL AFFAIRS 1951.

By Peter Calvocoressi.
Documents on International Affairs 1951.
Selected and edited by Denise Folliot.
Oxford University Press. 513 pages and
723 pages. 45s. and 60s.

ANY journalist who has served abroad during the year covered by these two massive volumes must be taken aback to find how much of his own and his French, American and Swiss colleagues' work forms the scripture to which the writers refer. The surprise is never quite overcome, because only the foreign correspondent knows how much and how little he could publish; how few important documents he ever saw. Yet, what he wrote is considered worthy of reference. This is inevitable, since diplomatic documents about such recent events are not available, though there is access to official communiqués after conferences and to the speeches of statesmen and the declarations of Governments. And it is all these, collected and extremely well indexed and edited by Miss Denise Folliot, which make an essential reference book for 1951, in the same way as the previous volumes of Chatham House Documents are indispensable to students, writers of theses, would-be journalists and journalists engaged in the writing of reminiscences. The historian will scan these documents and want a good deal more.

For instance, the historian may well ask how Greece and Turkey came to join the Atlantic Pact in 1951. This was momentous. It brought the Pact right into the whole question of Middle East policy and Middle East Command. There is nothing either in the volume of Documents or in the Survey to indicate that it was the breakdown of the idea of a Mediterranean Pact (through Count Sforza's firm refusal to have anything to do with such a pact) that led Washington to consider the urgent arguments, put forward both by Count Sforza and by Signor de Gasperi in their visits to the United States in 1951, for the inclusion of Greece and Turkey in the Atlantic Pact. Mr Herbert Morrison's speech in the Commons on July 18, 1951, reveals little of the long struggle between the idea that the North Atlantic Treaty Organisation should be strictly limited to the North Atlantic countries—that is, the British, French and Scandinavian idea—and the Italian idea that Italy must join it together with all other "free" Mediterranean countries, a view which Count Sforza never tired of putting for-

ward. But no documents are yet available on the subject; only his speeches, one of which, in the early spring of 1951, advocated that if the situation should worsen then an Atlantic Union of free Europe and the United States might even become necessary. Urgency seemed always round the corner, as Mr Peter Calvocoressi points out in the preface to his survey, for 1951 was very much dominated by the aggression in Korea the year before.

In terms of the American and Allied war effort and of vast economic repercussions Korea remained important, but 1951 seems in retrospect very much a Middle and Far East year. The inclusion of Turkey and Greece in Nato held out hopes of the "containment" of Communism right across to the Persian Gulf; but the hopes were pretty soon dashed by the unilateral abrogation of the Anglo-Egyptian treaty of 1936, and hot upon the heels of crisis and "Black Saturday" in Egypt came the Persian oil struggle. How difficult the writing of such recent history can be is shown by the conflict between the explanations given by Mr Calvocoressi on page 258 and by Mr George Kirk on page 281 of the reason for the denunciation of the Anglo-Egyptian treaty. The former writes:

The principal western Powers, having resolved in June their differences about the command of the Mediterranean, addressed themselves more earnestly to the cognate problems of the Middle East. Their plans suffered a setback at the onset, for as soon as it became known that Washington, London and Paris intended to make with Ankara definite proposals for the establishment of a joint defence organisation in the Middle East, Egypt denounced, on October 8th, the Anglo-Egyptian Treaty of 1936.

Mr Kirk writes:

The maintenance of the [cotton] prices at nearly prohibitive levels when world prices had already begun to fall had caused a spectacular decline in Egyptian cotton exports... there was much popular discontent at the steadily rising cost of living. The Opposition pressed for the enactment of a law to investigate the origins of recently acquired fortunes. This was expected to strike at the Wafdist leaders and it was said that during the summer of 1951 the King himself, feeling that the Wafdist leaders had exceeded reasonable limits of self-enrichment, had compelled Nahas Pasha to disgorge some misappropriated lands. Nahas Pasha appears to have anticipated the risk of dismissal by an irresistible appeal to patriotic sentiment. A Cabinet Committee had been at work drafting the legislation necessary to abrogate the British alliance...

and on October 7th the Bills were submitted to the King.

Which interpretation is correct? Perhaps both are: it is too early to tell.

With this 1951 survey, the Royal Institute for International Affairs returns to its prewar practice of an annual survey accompanied by annual documents. The reviewer might therefore ask whether the Documents volume is not really adequate on its own, and again whether the Survey is really necessary? Both volumes (as has already been suggested) are bound to be incomplete because diplomatic documents cannot be released yet. This absence of the directives and of the initiative behind the various and immensely complex moves on the international scene is obvious in the Documents volume. It has no pretexts. It publishes what is available and leaves the rest out.

Immense pains have been taken in the Survey to preserve accuracy in the résumés of letters, speeches and notes, whether made by Professor Joliot Curie at "Peace Congresses" or by Mr Acheson at a press conference, but here a note of unreality creeps in. No serious attempt is, or perhaps can be, made to delve into the policy or intention behind these statements, but long years of attendance in continental parliaments, where the Speaker likewise meted out democratic and communist action with an equal impartiality, make this reviewer occasionally feel uncomfortable. If you think that the cold war is merely a struggle for power and watch it as a cold neutral almost scientifically, then this method is a method. But certain factors do repeat themselves, and could be highlighted without anyone being accused of engaging in propaganda.

When all this has been said, the Survey is a remarkable achievement, packed tight with information and constituting an indispensable source for those who wish to talk or write on foreign affairs. At least five thousand people in this Survey alone, counting military and political negotiators, journalists, writers of bulletins, green books, white books and documentations of all sorts are, at a guess, so concerned, and if they all read the Survey, it is just possible they might see what a strange, confused, ambitious and cunning creature is the *homo bureaucratic* in this twentieth century.

Exalted Bourgeoisie

MADAME DE POMPADOUR.

By Nancy Mitford.

Hamish Hamilton. 275 pages. 15s.

"CHAT was the pastime of the age, cheerful, gossipy, joking chat." So writes Miss Nancy Mitford of the times of Louis XV. After she has assimilated the chat from the diaries and reminiscences of statesmen and courtiers, her pen transcribes it with a lightness and charm which well matches the French gifts of expression. Her portrait of Madame de Pompadour may not be entirely convincing—it will strike many readers as over pleasing—but only a

stern moralist could fail to enjoy the comedy, wit, beauty and absurdity of these scenes of life at the most brilliant court in Europe.

Hated by the courtiers because she was a bourgeoisie, hated by the bourgeoisie because of her extravagance, it might have been thought that Madame de Pompadour led a very uncomfortable existence between two fires. Not a bit of it, according to Miss Mitford. It all sounds delightfully pleasant, with the nicest of interpretations put on the lady's actions, that they were motivated solely by her love of Louis. It is difficult, however, to make this ring quite true. There was no doubt that she was a charmer and a very capable and gifted one, too, of whom it is probably true to say that "a more accomplished woman has seldom lived." But it is difficult to believe that ambition did not play a larger part than Miss Mitford would have us believe.

However, like watching a play performed in the over-emphasised manner of the best French school of acting, which enchants but never seems quite real to English eyes, the reader will doubtless be content to be captivated by this book. In the middle sections some of the scenes overlap too much and there is a jerkiness here and there in the time sequence. But these are small irritations. The argument about Madame de Pompadour which is never settled is the extent of her influence on power politics. In this much more lovable picture of her than any text book allows, she is not given as much political weight as is often ascribed to her. The French afterwards laid the blame for the fatal Austrian alliance at her feet, but Miss Mitford asserts that the responsibility rested more with the indolent Louis. Six of one and half-a-dozen of the other, it all added up to a blatant mixture of personal motives.

Only here and there in this story of manners and elegance, traditions and privileges, can be felt the rumblings of the Revolution. Yet it was Madame de Pompadour herself who said "*après nous le déluge*."

Searchlight on Sterling

THE FUTURE OF STERLING.
By A. C. L. Day.
Oxford University Press. 227 pages.
12s. 6d.

MOST contemporary discussion of the prospects for sterling as an international currency suffers from being excessively imprecise in conception and excessively shallow in historical perspective. Mr Day has attempted to remedy the deficiency by applying to the live issues of high sterling policy his academic mind and his academic methods. His work is far from being an academic treatise, and makes no claims to be one; the analysis draws freely on past researches and is unencumbered by a welter of footnotes (which will be as pleasing to the general reader as it is annoying to the student). Essentially, and at its best, this book is

a practical essay in the application of academic method.

That is at once its strength and its weakness. Mr Day's careful, if somewhat laboured, discussion of the factors behind the strength of sterling in its pre-1914 heyday and of the implications of the progressive disintegration of those factors is certainly the best method of presenting current problems in their true perspective; but in the process Mr Day falls into the economic historian's irritating habit of weaving neat relationships between seemingly unconnected events that almost certainly were in fact unconnected. The detailed discussion of the advantages and disadvantages of the sterling area arrangement (and in particular of the common alignment of exchange rates and discrimination against dollar goods) is a welcome departure from the usual glib assumption that the benefits of these practices are too obvious to justify discussion; but here again Mr Day appears to have been carried away by his method of argument and approaches an essentially practical question in too academic a vein. The same criticism applies to his questioning of the net benefits of restoring sterling to its position as a truly international currency and London as a world financial centre. Perhaps the best part of the book is the careful analysis of the implications, for Britain and Europe, of the many forms that sterling convertibility might take.

For all its minor defects, this will certainly be a useful—and in many ways stimulating—book for readers who want a quick background to current international economic problems. But Mr Day can occasionally lapse into the jargon and incongruous examples of the lecture room. He has at least one unforgivable passage:

Even though a purchase of cheese from Italy might be just as liable to cost gold as a purchase from America, Britain might choose to buy from Italy even if Italian cheese cost rather more, to avoid the loss on the terms of trade which would arise in the latter case, because the world outside America would have to lower its export prices substantially in order to balance accounts with America after they had been put into deficit by this cheese import. Clearly such policies are based on assumptions about demand elasticities, import propensities and the like which are practically unverifiable.

This is the sort of thing that has earned contemporary economics its reputation as the muddled science.

Officers—and Gentlemen?

CROMWELL'S GENERALS.
By Maurice Ashley.

Jonathan Cape. 256 pages. 21s.

"I LOOK upon them as persons very unapt to be quiet, nor able to endure any settlement whatsoever and therefore I think the depraved appetites of such sick minds ought the less to be valued," wrote Henry Cromwell of his father's generals in 1657. Mr Ashley now adds to his knowledgeable studies of this period by telling the story of

the Commonwealth and Protectorate through the careers and personalities of Cromwell's generals.

To Henry Cromwell the generals were thorns to be plucked from the Protector's side if a constructive settlement were to be attained; to Mr Ashley they were men of principle as well as of ambition. Indeed he sees Cromwell's greatness as a leader confirmed and enhanced by a study of his relations with these generals who differed so sharply in origins, temperaments and views. He treats in turn of those who at different stages exercised a preponderant political influence upon Cromwell, of those who went into opposition and of those, like Monk and Blake, who loyally confined themselves to their military and naval duties.

Until his early death in 1651 Henry Ireton stood closest of all to Cromwell. By origin a country gentleman he was concerned to stem the radical tide in the army and then to defend property and the social order against those invoking the dangerous doctrine of natural rights. The next to influence Cromwell was the son of a butcher, Major-General Harrison, who arrayed himself in splendid scarlet uniforms and demanded the dictatorship of the godly and a radical social programme. In contrast, Major-General Lambert, untouched by the sense of religious mission, stood out unashamedly for the power of the army and the career of John Lambert. It was he who advised the unpopular policy of holding the country down by force by the rule of the Major-Generals, though it was Cromwell who sought to make that rule an instrument of moral reform and not merely of security. In the last six months of his life Cromwell relied upon the enigmatic Fleetwood, whose organising talent and bravery had contributed to past victories, whose tears helped to induce Cromwell to refuse the offer of the crown, and who ultimately conspired to bring down the Protectorate.

Mr Ashley's account is both fair and spirited. He gives an admirably clear and concise account of the campaigns, and he uses quotations skilfully to bring out the contrasts and clashes of personality. But the effect of the book is to substantiate Henry Cromwell's views and to diminish rather than increase the reputation of Cromwell, so easily influenced in turn by the mystical ravings of Harrison, the tactless views of Lambert and the tearful exhortations of Fleetwood. Mr Ashley is happier in description and narrative than in interpretation and judgment; and the judgments he ventures are sometimes uncertain. He deplores the mistaken scheme of the rule of the Major-Generals and admits the ambition of Lambert, yet credits him with a touch of enlightened statesmanship. And it requires a very elastic definition of class and a very simple view of causation to say of the Major-Generals that "they all of them belonged to the rising middle-classes which had brought about the revolution against the Stuarts."

THE ECONOMIST, MARCH 6, 1954

Historian's Old Look

THE FRENCH REVOLUTION, 1788-1792.

By Gaetano Salvemini. Translated from the Italian by I. M. Rawson.
Jonathan Cape. 843 pages. 18s.

PROFESSOR GAETANO SALVEMINI'S book was first published in 1907. Since then there have been other revolutions and counter-revolutions and two world wars, the second of which was planned by German and Italian, and exploited by Russian, revolutionaries. These catastrophic events and their political consequences have naturally influenced historians; for, as Benedetto Croce has said, "all history is contemporary history."

Thus, shocked by the Bolshevik Revolution, Nesta Welster reconstructed the French one as a conspiracy of illuminati, Free Masons and Orleanists; and a few years later Pierre Gaxotte felt compelled by the verbose incompetence and financial unreliability of French democracy to rewrite the story from a Royalist angle. This provoked a counter-attack by the Left—ten essays published by the French Communist party in 1939; and a much more useful work, "*La Lutte des Classes*," by Daniel Guérin, whose research into the economic, social and financial circumstances of the revolution deserves serious attention, even if his use of his evidence was biased. Between the champions of Bourbon and Babeuf came Georges Lefebvre, whose sincere and scholarly "*Coming of the French Revolution*" was published in 1938. Gaxotte, Guérin, Lefebvre are three historians whose studies of the great revolution have been of particular interest to English and American scholars.

From the translator's note it appears that during twenty years' exile from Italy Professor Salvemini was unable to revise his work in the light of recent historical research. But it seems improbable that he could have lived through those years without acquainting himself with its more important conclusions; and while it would be no discredit to him (or to the translator) if, after inspection of the latest fashions, he had decided not to try to give his original creation a new look, there seems no point in reproducing the old look without some indication of his reasons for considering it superior.

The narrative has been described as "exciting"; and in Italian it may be; but in that case the English language must have lowered its temperature considerably.

Occupied Country

AUSTRIA'S INTERNATIONAL POSITION, 1938-1953.

By Cary Travers Grayson.
Librairie E. Droz, Geneva. 317 pages.
15 francs.

WITH the help of a long pair of shears, a large amount of paste and a strangely erratic pencil, Mr Cary Travers Grayson Jr. has assembled a

remarkable compendium of documents on Austria since it was annexed by Hitler, fifteen years ago. Mr Grayson has deliberately confined himself almost entirely to quoting and summarising the work of other people, and about one-third of his book consists of an extremely valuable appendix containing the text of most of the official documents concerning Austria. This includes the text of the as yet unpublished "State Treaty" as it stood in 1949 when Russia, perturbed at the defection of Yugoslavia and the weakness of both Czechoslovakia and Hungary, decided not to withdraw from Austria.

Unfortunately, the undoubted skill with which Mr Grayson has plied his shears and applied his paste is seriously marred by the extraordinary carelessness with which he has wielded his pencil. Since his book was printed in French-speaking Switzerland, Mr Grayson should have been doubly careful when reading the proofs. Many of the misprints do not matter very much. But he ought not to talk about Syria when he means Styria, or about Salzburg or Studenten. At times, too, Mr Grayson's choice of phrase is strange. It is, perhaps, merely unusual to describe Austria's finances as having been "in a state of bedlam" after the war. But it is hard to believe that "Austrian minor Nazis" can ever have been "instructed that by such deeds they would expunge themselves" or that, in April, 1938, the German Catholic clergy were "already waged in a spiritual war of defence

against flagrant Nazi aggression."

Nevertheless, anyone who is prepared to ignore such blemishes in what purports to be a scientific study will find much interesting and useful information, particularly about the last eight of Austria's fifteen years under military occupation. There are, it is true, a number of minor errors and omissions. Mr Grayson is wrong, for example, in saying that the Soviet Zone includes "the full course of the Danube river through Austria." Actually, Soviet control of the river itself ends at Linz. River traffic upstream from this point to Regensburg has been under American control since the end of the war, much to Russia's annoyance, and has therefore been entirely unhampered. Mr Grayson also fails to make it clear that internal postal, telegraphic and telephonic communications in Austria were freed from four power censorship soon after the war ended, not, as he seems to suggest, in 1953. Again, the Soviet Government has undoubtedly been taking much more than 1,505,000 tons of oil from the Austrian oilfields for at least the past two years.

Such points, however, should not be allowed to hide the fact that Mr Grayson's book is indispensable for those who wish to study the background of the squabbles over Austria during the postwar years and the way in which that little country, because of its key geographical position, immediately becomes of major importance whenever there is a struggle for power in Europe.

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By Robert Brandon

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1951

By PETER CALVOCORESSI

Assisted by KONSTANZE ISEPP

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Also edited by Peter Calvocoressi:

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1947-1948, 45s. net

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1949-1950, 52s. 6d. net

DOCUMENTS ON INTERNATIONAL AFFAIRS

1951

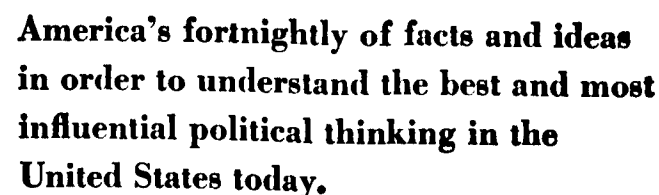
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American Survey

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Which Way to Prosperity?

Washington, D.C.

IT is a long time since there were so many anxious doctors at the bedside of the American economy, each with his own diagnosis and his own remedy for the ailment from which he thinks the patient is suffering. The disease is described by some as a "rolling readjustment," by others as an "inventory recession" or a "descent from the over-time economy," and by Senator Douglas, the other day, as a "situation which is now admitted to be a recession even by those who formerly shied away from that term." But whether the cure is to leave the patient to recover by himself—and even not to mention the fact that he looks a little pale—or to give him a mild course of credit relaxation or to use the shock treatment recommended by Senator George, there is one thing clear: the patient has been sinking very slowly up to now and is giving the assembled doctors plenty of time to agree on what should be done.

The anxiety is caused, indeed, less by what has already happened—the Federal Reserve Board's index of industrial production has fallen since July by about 10 per cent—than by the feeling that all the signs still point downward and by the fear that a Republican Administration is ideologically less fitted than a Democratic one to take firm measures before things get out of hand. Neither of these sentiments is probably as strong as it was a few months ago when the symptoms were less clear and the government seemed less aware of the dangers of letting things drift from bad to worse. The Economic Report showed that the Council of Economic Advisers, at least, was not prepared to sit back and watch a serious deterioration in the economy and the President's statement a couple of weeks ago that he would take the March unemployment figure—if it showed no improvement—as a danger signal is proof that he is willing to take their advice.

What worries people now is something less dramatic than the possibility of a sudden plunge into depression; it is that the Administration may be prepared to accept a succession of "second best years." Professor Alvin Hansen of Harvard explained these worries to the Joint Congressional Committee on the Economic Report. He said that, although the policy of the Administration was designed to prevent a slump, he missed "an equally reassuring statement that the federal government will employ all its powers to promote maximum employment, production and purchasing power." He saw a danger of the United States moving on to a flat plateau and eventually, after some years, finding itself in a depression engendered by stagnation.

Many observers in Washington would agree with Professor Hansen. Any political party which has been out of power for twenty years must be the prisoner, to some extent at least, of its years of opposition. The Republicans quite naturally have concentrated their attention on the inflation which undoubtedly occurred during the Roosevelt-Truman era rather than on the real economic expansion that also took place during those twenty years. And, because the inflation was almost entirely the result of war and the expansion was certainly started by the rearmament programme of 1940 and given a further boost by that of 1950, they have an emotional, and probably subconscious, tendency to equate the two.

There is, as Professor Hansen has undoubtedly noticed, a little too much complacency over the prediction that 1954 is likely to be as good a year as 1952 and, therefore, equal to the second best year in American history. There is also an unjustified assumption in some quarters that a continuation of the same state of affairs, which is no doubt tolerable in a year of adjustment from a war economy, would be satisfactory over a period of years.

Perhaps because of this attitude, and the reasons for its development, the approach of the Administration to the contraction in the economy has been as leisurely as the contraction itself. And, as the party of big business, the Republicans have presumably felt that a goodly proportion of the tax benefits arising from the reduction in government expenditure which they have achieved should go, in the first place, to industry. Mr Humphrey, the Secretary of the Treasury, can quote good economic doctrine in support of the contention that such things as more liberal depreciation allowances encourage expansion by business and thereby create employment.

But it is doubtful whether this "trickle down" method will get the money into the hands of the consumer quickly enough. The Economic Advisers concluded, after all, that the country was experiencing an inventory adjustment which was necessitated by the failure of consumption to keep up with production. Therefore, it is argued by the opposition, the important thing at the moment is to give the consumer more to spend rather than to encourage business to expand productive facilities which are already too big for the immediate market.

It was this argument that persuaded Senator George,

who has never been considered a New Deal economist, to introduce his Bill to increase the exemption for personal income tax from \$600 to \$800 next year and to \$1,000 in later years. He was probably influenced by what Dr Nourse told the Joint Committee. Dr Nourse, who was always considered the conservative member of Mr Truman's Council of Economic Advisers, maintained that only tax relief to the consumer would enlarge buying power quickly enough to counteract the real trouble which, he said, lay "somewhat deeper than the statistical surface where inventories are counted."

Dr Nourse discussed one by one what the President has called the "formidable arsenal" of weapons with which recession could be fought and dismissed all except tax relief as inadequate. The credit controls of the Federal Reserve System, he said, could do little to stop a recession and almost nothing to start a recovery; debt management and budget administration did not have enough firepower; more was always expected of public works than they could deliver; and the change to flexible agricultural price supports would, in the short run, have a deflationary effect.

Nothing that all the economists who have appeared before the Joint Committee have had to say, and none of Senator George's arguments, have affected the Secretary of the Treasury. Mr Humphrey has issued a statement in which he expresses his vigorous opposition to

blanket increases in exemptions that will throw us back into deficit financing which cannot be justified at the present time and which we have been working so hard to overcome.

The battle has, therefore, been joined and it will go on for some months unless the pace of the recession gets faster and argument loses itself in action.

This is less a battle between parties—there are Republicans and Democrats on both sides—than one between two schools of thought, between, roughly, businessmen—the National Association of Manufacturers supports Mr Humphrey—and economists and those who listen to economists. And there are two parts to the argument. The first is whether the American economy must continue to expand or whether it can afford a period of hesitation, if not of stagnation. The second is whether, as a short term measure, tax relief should be used to encourage an immediate increase in consumption or to expand production to take care of the demand which must come eventually from a population which is growing rapidly both in numbers and in ability to produce more and earn more.

Men from the FBI

Washington, D.C.

THE American public is not, by tradition, well disposed towards the police. Yet over the past twenty years one police agency, the Federal Bureau of Investigation, has become something of a national institution. This was dramatically illustrated by the extraordinary impact which the testimony of its director, Mr J. Edgar Hoover, had on public opinion during the electric days of last November, when battle was joined over the bones of Harry Dexter White. Although the Attorney General was severely criticised for bringing a non-policy-making agency into a political controversy and for using Mr Hoover's prestige as a secret weapon in such a battle, Democratic orators are still

as ready as are Republicans to lavish praise on the FBI and to take credit for having supported it. Liberals have some misgivings about this "untouchability" and Mr Hoover's undoubted flair for publicity has inspired both sarcasm and ridicule. But the FBI's popularity has a firm basis in the efficiency, courage and honesty with which it enforces the federal laws against crime.

There were few such laws until the early nineteen-thirties when Congress was forced to act by the chronic incapacity of the ill-equipped, badly co-ordinated and sometimes corrupt state police to cope with gangs of murderers and racketeers organised on a national scale. The crossing of a state boundary by the suspected criminal, the kidnapped victim, the stolen property or the absconding witness was made the signal for federal investigation. The responsibility of undertaking this fell upon the FBI largely because it was already in existence; it was a highly-trained and scientifically-equipped corps of special agents ready to go into action against racketeers as soon as it was given the authority.

The FBI had been fathered in 1908 by Napoleon's grand-nephew, Mr Bonaparte, who was Attorney General to Theodore Roosevelt, to investigate the small number of federal offences that then existed and were not otherwise provided for. Once Mr Hoover had taken over in 1924, at the age of 29, strict recruiting and training regulations were enforced—all special agents have to be university graduates in law or accountancy—so as to overcome the rooted prejudice of juries against police and expert witnesses. No agent of Mr Hoover's has ever been convicted of crime or corruption, and for many years the FBI's record of success in obtaining convictions in the cases it has prepared has been almost perfect.

But the achievement in which Mr Hoover seems to take most pride is a negative one, that he has "prevented the formation of a national police, an idea to which I have always been most vigorously opposed." Murder, assault, rape and other common law offences are still matters exclusively for state and local police unless another state becomes involved or unless the federal government has jurisdiction over the place where the deed is done—on Indian reservations or a ship on the high seas, for example. Even the older investigating branches of the federal government remain in operation: counterfeiting, smuggling and dope-peddling are handled by the Treasury, whose Secret Service guards the President, and the Post Office has its own detectives.

Although the FBI firmly refuses to handle local cases it has helped greatly to improve the efficiency of local police forces. Its scientific resources—the famous technical laboratory which can analyse every sliver of evidence and the fingerprint library with 130 million entries—are at their disposal, and their most promising officers can be sent on courses at the FBI's National Academy.

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Misgivings arise, however, not from these admirable activities, but from the second great expansion of the FBI's field, which occurred during and since the war and which has so increased the scale of its operations that it now has a force of 5,500 agents (compared with 900 before the war) and an annual budget of \$78 million. The FBI has become the chosen instrument of the war against Communism inside America.

This development sprang from three sources. At the outbreak of the last war President Roosevelt gave the FBI

sole responsibility for internal security. This made it the principal domestic intelligence agency, with the duty of reporting to the President, the Attorney General and other heads of departments involved on any matter that it thinks should be brought to their notice—hence the reports in 1945 and 1946 on Harry Dexter White. Secondly, various Acts of Congress since the war have specifically named the FBI as the body to investigate applicants for certain positions which are "sensitive" from a security point of view. In some cases the bureau must automatically carry out a "full field investigation"; in others it only does so if "derogatory information" is found on the person's file. A full field investigation involves the questioning of people who have been neighbours and associates of an applicant at all stages of his career and the tracking down of any allegations that may be made. Finally, under President Truman's loyalty order and President Eisenhower's security order the FBI has to check every present employee of the government and all recruits to its service to see if there is anything that calls for investigation.

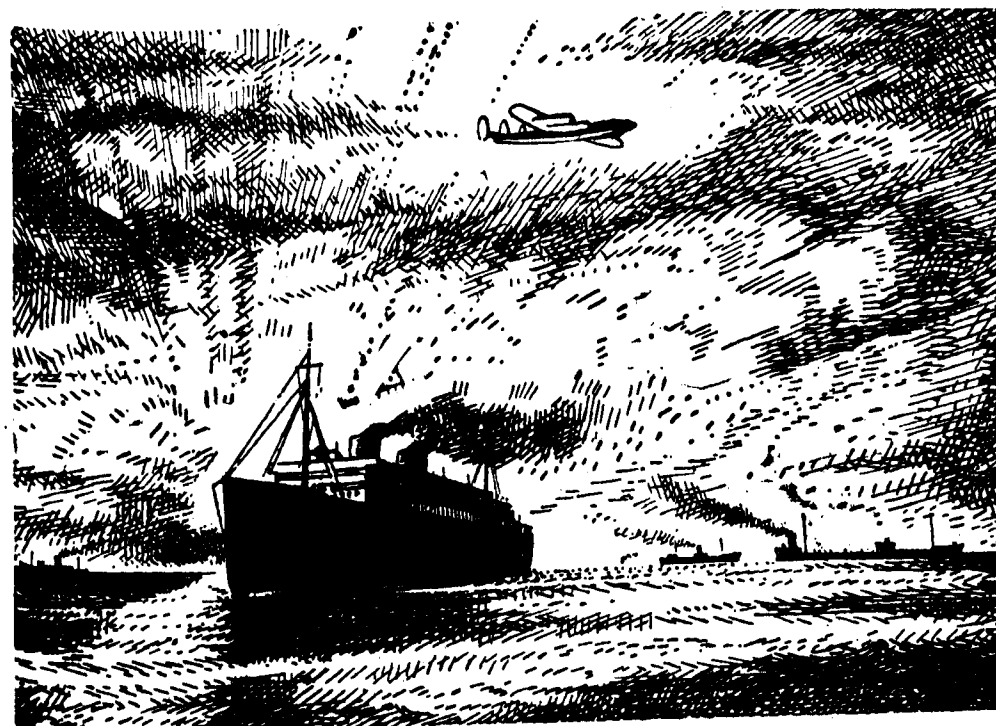
Mr Hoover is extremely anxious to refute charges that in the course of carrying out these tasks he has built up a "Gestapo"—a word that constantly recurs in his speeches. His answer to such charges, and to over-eager admirers who want practically everyone to be "cleared" by the FBI, is to insist on its limited function. He said for instance at the White hearings:

The Federal Bureau of Investigation . . . does not make policy; it does not evaluate; it secures facts. . . . I am merely a subordinate official of the Attorney General. . . . I am advised of the policy to be followed.

His agents are trained to report what they are told exactly in the manner of the telling, so that the witness's malice, bias or misunderstanding may be revealed and discounted when the reports are passed on by the FBI to the official who must "evaluate" them.

The idea of the FBI being a detached research organisation is, of course, not altogether realistic; for example, Mr Hoover himself evaluates the reliability of his sources whenever he wishes them to remain confidential. Nevertheless, most of the resentment that arises among those who are liable to investigation should not, in fairness, be directed at the FBI but at the "policy makers," and the prevailing climate of public opinion. It is not Mr Hoover who insists on the full treatment being given to American doctors attending conferences of the World Health Organisation or to holders of jobs that by the widest of construction could not be called sensitive. Nor is it Mr Hoover who imposes such serious penalties as suspension of employment or refusal of a passport until such time as the FBI shall have finished its lengthy search for facts behind the gossip on its file, a search which may go back over many years of a man's career and involve several different countries.

But there does seem to be a certain inflexibility about the FBI's methods, perhaps because it tries to apply the principles of criminal investigation to this very different field. The "facts" behind a concept such as "sympathetic association" with another person or group about whom other allegations are made (and so on, through a Chinese puzzle) are of a very different type from the "facts" that determine the true order of events surrounding a clearly defined crime. In spite of the care taken to teach FBI



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That Mr Eisenhower himself was uneasy about his failure to put his foot down firmly was apparent from his bearing and from his refusal to answer questions on his statement. As a rebuke to anyone less resilient and thick-skinned than Mr McCarthy, the President's statement would have been admirably crushing, even though it was cushioned by a proper admission of error in the handling of the Peress case, the incident which gave rise to the present basic argument over principle, and a proper recognition of the separate responsibilities of the Executive and the Legislature. But propriety makes no impression on Mr McCarthy.

The President insisted that he alone could ultimately be held to account for executive action and that no government employee should be humiliated by a congressional committee—without doubt a reference to the experiences of General Zwicker (to whom General Eisenhower paid a personal tribute) before Senator McCarthy. Then the President went on to say that, while he expected all government employees to respond cheerfully and completely to requests from Congress, he also expected Congress to treat them fairly. He commended the efforts now being made by the Republican leaders in the Senate to improve the procedures of investigating committees. Finally the President regretted that the country was being diverted from the grave domestic and foreign problems that required undivided attention by "disregard of the standards of fair play recognised by the American people."

Senator McCarthy, bounding back immediately at his own press conference, agreed with the President that time was being wasted and announced that he at least was going to get on with exposing Communists. He and the President, he said, were evidently of the same mind on the necessity of getting rid of them and disagreed only on how to handle "those who protect Communists." One of those who Mr McCarthy now seems to think may be protecting Communists is the Secretary of State. Mr Dulles may thus be one of the first to find out whether the President's observations on justice and fair play have put any restraint on Mr McCarthy. For Mr Dulles has just taken away from the Senator's protégé, Mr Scott McLeod, his duties as personnel officer of the State Department and left him in charge only of security matters there. And Mr McLeod had earlier declared that the two functions were inseparable if the "chaos" in the department was to be "cleaned up."

Berlin Under Scrutiny

THE heavy strain of three international conferences in rapid succession is not all that Mr Dulles, the Secretary of State, is having to endure. In the few days between returning from Berlin and setting out for Caracas, when a little rest and preparation would have been in order, the Secretary was compelled to justify his agreement to meet the representatives of Communist China at Geneva to discuss settlements in Korea and Indo-China. Mr Dulles had noticed how reluctant Congress was to run any risk of involvement in a new Asian war; he might reasonably have concluded that negotiation would be a welcome alternative. Moreover, he considered that by standing firm he had enabled the United States to carry all its points on the composition of the conference and the limited questions it was to deal with. He had also secured an assurance,

in writing, that the meeting would not be taken to involve recognition of the Communist regime.

Mr Dulles evidently was a trifle indignant, but he cannot have been altogether surprised, at his chilly welcome from the Republican leaders in Congress. A Democratic Secretary of State, after all, would have found it more than his place was worth to suggest treating with the Communists whom the friends of General Chiang Kai-shek regard with such implacable hostility. The conductor of the critical chorus is Mr Knowland, the Senate majority leader, who warned Mr Dulles, in a speech at New York, that if the meeting at Geneva turns out to be a "Far Eastern Munich," the American people will have none of it. In Mr Knowland's view, any settlement in Indo-China is virtually certain to involve the surrender of the whole country to the Communists in a short time; he is suspicious, as well, that one of the prices of peace may be the admission of Communist China to the United Nations. Other Republicans are not convinced by diplomatic semantics that Mr Dulles can meet the representatives of China without recognising them the next time.

Mr Knowland's misgivings seem to have been shared, to some extent at least, by all the Republican leaders except Senator Wiley, the chairman of the Foreign Relations Committee. Mr Dulles has, in effect, been told to watch his step at Geneva and warned that he will be held accountable if he trips. Like Mr Dean, the American negotiator at Panmunjom, Mr Dulles cannot find diplomacy easy under present conditions. Fortunately, however, unlike Mr Dean, who has been accused of "appeasement" by Senator Welker, Mr Dulles shows no signs of resigning.

SHORTER NOTES

The 800,000 shares in the New York Central Railroad, over 12 per cent of those outstanding, which belonged to the Chesapeake and Ohio Railway, have been sold to two friends of Mr Robert R. Young, who is trying to get control of the New York Central. As long as they were held by a rival railway, there was a strong possibility that the Interstate Commerce Commission, in the interests of preserving competition, would prevent the voting rights represented by these shares from being exercised at the shareholders' meeting in May. Now it seems probable that they will be exercised in Mr Young's favour.

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The suggestion that so far only four refugees have entered the United States under the emergency immigration programme enacted last summer may not be correct, but certainly the number has been so small that it seems unlikely that the 15,000 authorised for the first year will have arrived by next June. And if the full 209,000 are to be admitted by the end of 1956, drastic steps will have to be taken to cut through the administrative tangle, arising mainly from the complicated restrictions in the Act itself, which is holding up the programme, both in the United States and in the countries where the refugees are.

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The three Polish consulates in the United States, in New York, Chicago and Detroit, are to be closed by order of the American government, on the grounds that they serve no useful purpose. There have been complaints that the Detroit office is a centre for Communist propaganda.

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Spears Against Egypt

FROM A SPECIAL CORRESPONDENT IN KHARTOUM

ONLY a few hours before the Sudan was about to embark upon the political sophistication of parliamentary life, there leapt from the very earth itself an incongruous and primitive passion to remind the watching world that the good order of British administration is not deeply rooted in the tempers of the people. Sir Abdel Rahman el Mahdi, cotton king and dignified associate of premiers and princes, sent his call into Omdurman and the deserts, to tribesmen who journeyed to the outskirts of Khartoum. There, outside the airport as President Nguib arrived, they formed a fearful replica—only cleaner, healthier and better fed—of the army of that earlier Mahdi whose revolt drove Egypt from the Sudan. Nor was the purpose much changed; for if the earlier army rose to fight, this one rose to give warning that it was prepared to fight.

The imitation was too good to mean anything else. The wide plain, the bright sunshine, the mass of turbaned tribesmen with hundreds of banners waving over their heads, seemed a deliberate invocation of history. There was at that time no intention to shed blood, and no one has yet satisfactorily explained how the riot started outside the Governor-General's palace and under the very shadow of General Gordon's statue. Perhaps the most credible explanation is that memory put a sharp edge to the fears of the police, most of whom were sectarian opponents of the Ansar army. (The Ansar is the heterodox sect of Islam headed by the Mahdi: the Khatmia is its orthodox rival.) Weapons, the Mahdi: the Khatmia is its orthodox rival. Weapons, as it were, emerged by reflex action. It cannot have been that these people had been sent by El-Mahdi to attack his good friend President Nguib. On the other hand, the tribesmen came armed with spears, knives and clubs.

Whatever started the fighting, it served to reinforce the general impression by its very primitiveness. Police were stabbed with spears, knifed and clubbed with a fury so often described in stories of the Mahdiya; and then, it seemed at a word, they drew off, gathered their dead and wounded, and wandered back through the Khartoum streets to the home of El-Mahdi, where they curled up on the grass verge and in the gardens and, for the most part, dozed in the afternoon sun. El-Mahdi or his son told the police to come and get police rifles and a horse captured in the fighting, and this was done without disturbing the afternoon calm. No police, no army, came to drive away or arrest these people whose activities had caused a death roll of about 30 and about 200 wounded. Later in the day there was a clash with the police because a small group of the Ansar refused to give up their arms. After dark, one tribesman wandering

wearily back to Omdurman, still bloodstained and carrying a large sword, was stopped by a policeman who carried a baton. The swordsman quietly relinquished his weapon and went peacefully to prison. Next day, at the word of El-Mahdi, they dispersed back to their homes. The army and police would have had to fight a battle to achieve the same result.

It happened, therefore, that a pictorial design became a practical lesson to Egypt and those pro-Egyptian elements who have been so industriously working in the country since the National Unionist Party was elected. El-Mahdi, and the Umma Party of which his son is president, were not prepared to watch Egyptian penetration of the Sudan proceed unchecked during the transitional period. They had watched leading members of the National Unionist Party tolerate, if not actually help, the activities of Major Salah Salem, Egyptian Minister of State for Sudanese Affairs. They did not want President Nguib, who is personally popular in the Sudan, to leave without knowing that personal popularity was one thing and Major Salem's misreporting of the Sudanese situation another. Few Egyptians can realise what a liability Major Salem is to them in the Sudan.

The tribesmen were called out to demonstrate the strength of the independence movement, to submerge the welcome for President Nguib in cries for freedom, and to show that unity with Egypt could not be imposed without the resistance of the Ansar. As a result of the riot, it was proved that no security forces in the Sudan would willingly be mobilised against an Ansar army. Certainly Ismail el-Azhary, who is Minister of the Interior as well as Premier, was not ready to do it. President Nguib had, therefore, to spend his twenty hours in the Sudan inside the Governor-General's palace and go quietly home before dawn. Neither a pro-Egyptian government nor the Governor-General was willing to answer for security otherwise.

Most thinking people in Khartoum have come to the conclusion that the underlying cause of the trouble was the clumsiness of Egypt's policy since the elections three months ago. The enthusiastic assumption that the National Unionist victory had paved the way for Egypt in the Sudan was wrong from the outset; for the protagonists of independence in the Sudan are only prevented from displaying the fact that they are a majority by the sectarian resistance of the Khatmia to the Umma Party which derives its strength from the Ansar. Even the NUP government is not united on the question of relations with Egypt, and some were embarrassed by the activity Egypt exhibited in the Sudan. It was psycholog-

connected with this decision, and as memories of Hindenburg and Hitler are still alive, there will be great interest in the way it is finally settled. For the moment it is enough to note that nothing in any of these demands of the right-wing suggests that in their view Germany should rearm in the EDC or not at all.

A Year Without Stalin

CAN Caesar tie the hands of his successors? Can the most powerful and cunning ruler impose a political pattern that will survive long after he has left the stage? Exactly a year ago, to the strains of mournful music, Moscow radio proclaimed the death of Joseph Vissarionovich Stalin, the "leader of genius," the omnipotent, omniscient ruler of all the Russias, the "pope with battalions." The question was—could Stalinism survive Stalin? For over a quarter of a century he had reigned supreme, having first crushed and then exterminated all actual and potential opponents. His lieutenants had seemed mere puppets, carrying out their master's orders; and the master had clearly made preparations for the succession. Yet once Stalin was removed from the apex the Soviet pyramid of political power began to crumble, and the ruthlessly and painfully prepared pattern to fall apart. The currents set running a year ago have not yet run their full course, and many are still hidden from the public view. But some attempt can be made to trace their labyrinthine flow over the last twelve months and their present direction.

At first events moved at an unfamiliar speed. The "puppets" revealed voices and gestures of their own. In a matter of days the structure of party and government leadership was reorganised and the fabric bequeathed by Stalin at the last party Congress had been rent. The period of mourning was hastily brought to an end and the panegyrists made way for the iconoclasts. The cult of the individual was officially disavowed and replaced by the new rule of "collective leadership."

Undermining the Policemen

All this was more than a personal betrayal. To the refrain of "anything he could do we can do better," Stalin's successors launched their slogan of peace, plenty and freedom. They made polite overtures to the West, promised rapid improvements to the Soviet consumer and, above all, reminded the individual citizen that he had rights under the constitution. An amnesty was proclaimed, a new legal code promised and the chief instrument of Stalinist rule—the police terror—seemed to be blunted. This weapon of terror had been used in different ways at different times, but it was the real basis of Stalin's power. Indeed, on the eve of his death there had been clear signs of the building up of a new wave of terror. The vigilance campaign, a natural product of the cold war, was reaching its zenith with every citizen declared to be under suspicion as potential "spy" or "imperialist agent." The arrest of the "criminal doctors," most of them Jewish, on the charge of poisoning military and political leaders, looked like the curtain raiser to a new holocaust reminiscent of the 'thirties. But scarcely a month after Stalin's death the whole trend

was reversed. The vigilance campaign was stopped, the plot was denounced as a frame-up, the doctors were freed and the security men in charge of the case were accused of using "unconstitutional methods" to extract information.

Not only was the self-confidence of the policemen sapped, but the validity of all previous purges and trials was implicitly questioned. Nor was this an isolated instance. Similar acts of rehabilitation took place in Stalin's native Georgia and other republics, where "bourgeois nationalists" were freed and their accusers charged with Russification and extortion. A breath of fresh air seemed to be sweeping through the Soviet lands, and this purging of Stalinist survivals had to all appearances the unanimous backing of the Kremlin.

The unanimity, as later events showed, was only a façade behind which a deadly struggle was going on. After one hundred days of hope and promise, Moscow sprang another political surprise. Lavrenti Beria, head of the powerful security forces and officially second to Malenkov in the new regime, was suddenly denounced as a "bourgeois nationalist" and an "imperialist agent." In pure Stalinist fashion the record of his treason was traced back almost to his mother's womb. A coalition of policemen, frightened by Beria's "liberal" antics, of Stalinist diehards opposed to any tampering with the Leader's heritage and of military leaders, proceeded to win the second round in the struggle for the succession. What determined the waverers to take sides against the reformers? The whole story of argument and bargaining in the Kremlin remains to be told, but it can be assumed that the relaxation of internal discipline following the policy of concessions, together with the June rising in Berlin, played an important part in it. The diehards may have warned against political concessions which might cause a repetition of the Berlin troubles nearer home. Once this argument carried the day it was easiest to sacrifice Beria, since few would shed tears for the head of the dreaded NKVD.

The Beria Heresy

Yet it is now clear that Beria was himself the mainspring of the reformist group. What was the head policeman doing in such company? Under a dictatorship it is often the policeman who can best feel the mood of the country. He may have felt that it was time to relax somewhat the grip of his men if the regime was to survive. He may, too, have calculated that liberalism was likely to make him popular, and to that end took the risk of limiting the powers of his own police empire. For his audacity he paid the supreme penalty. But it was easier to get rid of the man than of the ideas for which he stood. For nearly six months after Beria's fall almost no mention was made of him. Only the glitter of army uniforms at various meetings revealed that the soldiers had received their reward, while sporadic purges of "bourgeois nationalists" in the republics disclosed that Beria's men were being weeded out.

The biggest visible change took place in the emphasis of Soviet propaganda. This was shifted from "constitutional rights" to "economic needs." The promised legal code was forgotten; but in August Malenkov made a major policy speech, in which he asserted that the standard of life of the Soviet consumer "can and must" be raised rapidly. On the other hand, he did not paint a distant vista, but promised substantial rewards within the

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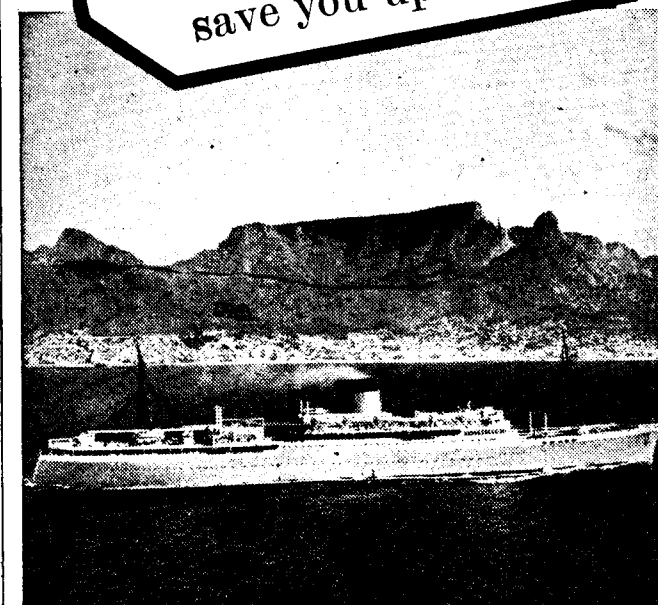
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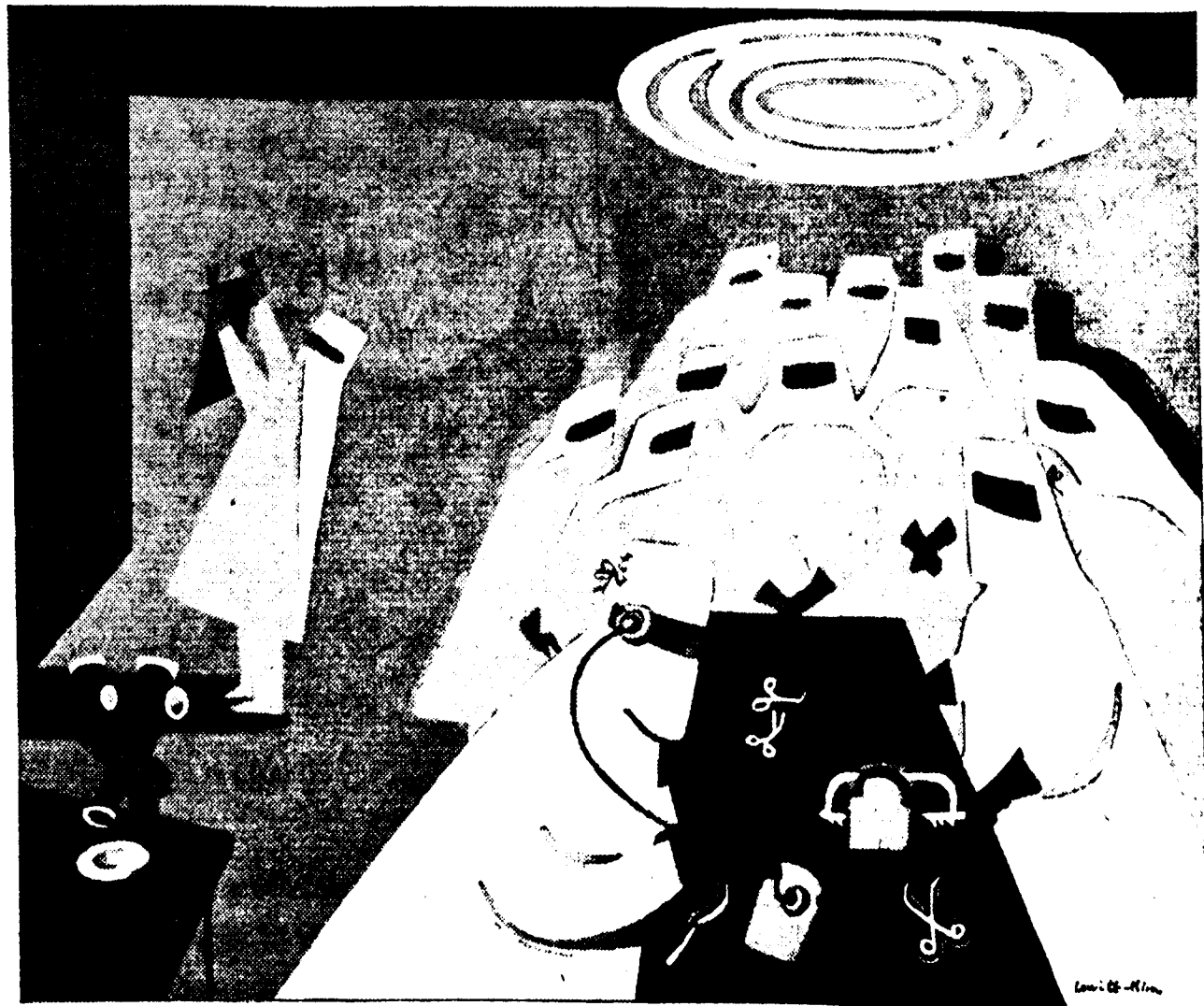


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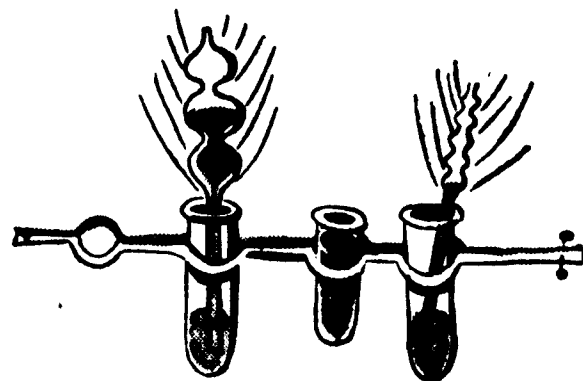


The Schweppshire Way of Life

1. THE DAILY BREAD

First, then, our bread*—chief pride and focal point of Schweppshire's way of living. There are still a handful who have survived from the lethal days when bread was just flour, simply baked. When the old ovens were demolished, workers specially trained in loafcraft were selected from Economics students who were rowing men and had taken a First in Botany. Their duty is to impurify the unnatural ingredients. A special centrifuge separates the husks without direct human agency; these are later put back by hand as husks. The original sand mixed with particles of old buried tins adhering to the wheat root is flung at the simmering dough. It is not generally realised that each year a typical man eats a lump of coke the size of a 5-yen piece. The essential bread residue reaches the consumer already shaped by the anatomy group, who drive to work in sterile vans, and wrap the bread in containers stored permanently at

boiling point, and covered in cellophane from the deep freeze. To add savour, many slice the bread with a rusty kitchen knife kept specially for cutting up onions. The bread is brown because white bread contains no vitamin F₁₂. It is interesting that brown bread contains none either.



Written by Stephen Potter, designed by Lewitt-Hbm.

SCHWEPPEVERESCENCE LASTS THE WHOLE DRINK THROUGH.

* Or, as we prefer to call it in Basic Schweppshish, "stuff in me put". ("Bread" belongs to our cumbersome older vocabulary, now reduced to 17 words, all tremendously short.)

Next two or three years. A month later Nikita Khrushchev, the Party secretary, whose influence seems to have risen after Beria's fall, reviewed the parlous state of Soviet agriculture. He announced a temporary retreat from his own schemes to bridge the gap between town and country, and proclaimed a new policy of incentives for the peasants to get quickly the indispensable foodstuffs and agricultural raw materials. The economic task portrayed was gigantic. The consumer is to get his benefits quickly. Nevertheless the government has apparently no intention of slowing down the rate of expansion of heavy industry and, for political reasons, cannot ignore China's demands for industry and arms.

In the meantime the political pendulum has been swinging towards and away from Stalinism as if the Kremlin were suffering from a split mind. "Russifiers" are being restored to their posts in the Republics while writers are being told to take off their pink glasses and criticise the failings of Soviet society. The outside observer gets the impression that abortive efforts are being made to put the clock back to where it stood on March 5th last year. When Beria's trial was finally staged in December it took place behind closed doors. The accused were taken from the dock to the firing squad without providing the public with the spectacle of a latter-day Vyshinsky in action. Nor was any attempt made at an open indictment of the hundred days of reform. On the contrary, every effort was made to present it as a trial of the police, and Beria's companions in the dock were all security officers. By implication the doctors' accusers and the extortioners eliminated by Beria were exonerated; but the doctors seem not to have been rearrested and their torturers have not been openly rehabilitated. Instead, they seem to be returning by the back door. Thus, Semyon Ignatiev, the Minister of State Security responsible for the frame-up, who was disgraced in April, has just now reappeared as a parliamentary candidate in Bashkiria.

The Army Comes Forward

The tug-of-war is not yet over. Attempts have been and are being made to preserve and revive Stalinism. They have not been completely successful; they are probably doomed, just as Stalinism itself was already doomed during the lifetime of its creator. The outworn political structure of its omnipotent ruler. If it was kept together only by its omnipotent ruler. If a return to pure Stalinism without Stalin is ruled out, what are the most likely developments in the Soviet Union? Either Malenkov and his associates will manage to steer a middle course, to avoid an open split within the party and provide an outlet for explosive forces through progressive reforms and concessions; or a divided and struggling party, no longer protected by the security police, will lose power to a military dictatorship. This was, perhaps, the alternative from the very beginning, and the army has already collected spoils from the Beria conflict. Its voice clearly now carries more weight in the councils of the Kremlin, and in the parliamentary "elections" now staged there are more army candidates than ever before. Should the diehards score a complete victory, crush all their opponents and revive the reign of vigilance, a Soviet Bonaparte may then forestall them and prove the real successor to the ruthless Party Secretary, the heir and executioner of the October revolution, whose long reign ended a year ago.

The Danish Economy

ONE of Denmark's special problems at present is a population bulge. The high birth rate during the war years is now about to bring on to the labour market an unusually large number of young workers. This is bound to create difficulties in a country where unemployment is a perennial, although usually mild, headache for governments. However, in 1953 an encouraging trend was visible in this respect; average unemployment fell from 12.4 per cent in 1952 to 9.2 per cent, while the average number employed in industry rose from 525,000 to 545,000. Preliminary estimates placed the gross national product in 1953 at between 3 and 4 per cent above that of 1952.

This, however, largely reflected greater internal consumption, brisk activity in house building, and a higher expenditure on defence. The picture of Denmark's foreign trade in 1953 was not so cheering. The value of exports during the first eleven months of the year admittedly rose to Kr. 5,649 million, as against Kr. 5,285 million in the same months in 1952. But, while agricultural exports in this period showed an increase of Kr. 486 million, exports of industrial products fell by Kr. 115 million (from Kr. 2,002 to Kr. 1,887 million).

Danish farms thus contributed nearly twice as much to export earnings in 1953 as did Danish industry; in 1952, the ratio had been one of three to two. The OEEC's annual review of Denmark's economy emphasises the fact that, as long as Britain and other purchasers of Danish bacon, butter, cheese and eggs find it necessary to maintain restrictions on these imports, Denmark will have to strain hard to earn more both from its merchant marine and from industrial exports. Very little help can be obtained by cutting down imports, which in the first eleven months of 1953 rose to Kr. 6,301 million (against Kr. 6,060 million in January-November, 1952); for most Danish imports consist of fuel, raw materials, and semi-manufactured products, few of which can be replaced from domestic sources, and shortage of which must bring down the general level of activity and react directly on exports.

More Exports to the Dollar Area

Earnings from shipping in 1953 remained at the lower level to which the steep fall in freight rates in 1952 had brought them; but, as considerable modernisation and expansion of the Danish merchant marine is already well under way, the outlook for improved earnings in 1954 is good. As to exports of industrial goods, the decline during 1953 should not be taken as too ominous a sign. Almost the whole of the falling off was due to smaller sugar exports, which in turn reflected a very poor beet crop in 1952. Other industrial exports generally maintained their positions; but they did not improve them, and there is clearly a case for strengthening the support already officially given to export promotion and to investments with export potentialities, and for a drive to make Danish industrial exports more competitive in foreign markets. A hopeful feature of 1953 was a notable improvement in the trading balance with the dollar area; and although part of this represented sales to American forces in Germany, exports to the dollar area proper increased by about a third with the aid of a dollar premium scheme initiated in August, 1952.

Denmark, however, must continue to look apprehensively at any portents of a general international recession. The first effect of a recession might, admittedly, be to improve Denmark's terms of trade by bringing down the cost of its imports of raw materials. But there are few illusions in Copenhagen about the speed with which this would be succeeded by a sharp fall in both exports and earnings from the merchant marine. For this reason among others, Denmark is a strong advocate of co-operative action between European governments to meet any threat of recession.

Prosperity for Cyprus

BY A CORRESPONDENT

DURING the debate in the House of Lords last week two points of importance were made about Cyprus. The first was that its Greek population is unique in the British Commonwealth in that it wants, or says it wants, not self-government but a change of master. The second was that the island is enjoying almost boom conditions. The desire of the Cypriot Greeks for union with Greece springs largely from the emotion of nationalism, which is apt to be deaf to talk of material advantages. All the same it is important to be clear about the reasons for the prosperity which Cyprus is experiencing today.

The 500,000 inhabitants of the island, which is slightly smaller than Devon and Cornwall, subsist largely on agriculture and mining. The principal export crops are of the usual Mediterranean types, citrus fruit, olives, almonds and the grape—with the addition of the carob or locust bean, an important feeding stuff for cattle. The island's mineral wealth is extensive. The mining industry employs some 6,000 people, and copper and iron pyrites, asbestos, chrome and gypsum are all profitably exploited. Since the war, the export trade has developed rapidly, and the value of exports has risen from £4.2 million in 1946 to £17.6 million in 1952. Between one-half and three-fifths of these exports consist of minerals; lower prices in 1953 reduced their value somewhat, and as a result the value of all exports was only £15 million. About £5 million worth went to Britain; Cyprus therefore exports nearly as much to Britain as, say, Greece. But, this year Cyprus raisins may find difficulty in competing for the British market now that the Ministry of Food's control of dried fruits has been removed. Imports also have increased steadily and substantially since the war; in 1953 the total value was £21.2 million compared with £8 million in 1946. They cover a wide range of manufactured goods, particularly cars and trucks, for the island now has no railway, and one of the Emmet-like engines which used to pull the train from the sea to Nicosia is enshrined in a Famagusta square. Last year some £9.5 million worth of goods were imported from Britain.

Newcomers on the Island

The persistent increase in the adverse balance of visible trade—last year some £6 million—is not causing great concern, because there has been a steady increase in invisible exports such as the growing tourist trade. Cyprus is an ideal holiday centre for Middle Eastern oil men and their

families, to say nothing of members of H.M. Forces serving in the area. Much more important, of course, is the expenditure in the island of the British service departments, and of the increasing number of foreign commercial concerns which used to base their Middle Eastern headquarters in Egypt but now find Nicosia less flighty than Cairo. There are other bodies, not only British but American as well—the American monitoring station outside Kyrenia is an example—which have decided that Cyprus is a convenient spot.

The presence of all these newcomers certainly helps the island to balance its international accounts, but they do little to keep down the cost of living (particularly of house property), and according to the government's index figure the cost of living is now some 30 per cent higher than it was in 1950 and shows little signs of falling. On the other hand the island's finances are in a healthy condition, and the 1953 revenue of about £8 million would have yielded a surplus of £1 million over expenditure if it had not been for exceptional expenditure on the earthquake at Paphos. This disaster, incidentally, will cost the government at least £1½ million. Last week's announcement that the British taxpayer is to contribute £500,000 is good news for the Cypriots.

No More Malaria

In the meantime, the shape of the island's economy is gradually being altered by two important developments. First there is the large capital expenditure of the British War Office on the cantonments at Episkopi, west of Limassol, and near Larnaca at Dhekelia, where barracks, offices, messes, roads, pipelines and all the other installations indispensable to the presence of the British Army overseas are now rapidly taking shape. Secondly, the government's decision in 1946 to spend some £15 million on a ten-year capital development programme is now beginning to bear fruit. Part of the money has come out of a grant from London under the Colonial Development and Welfare Act, but the bulk of it has been saved during the course of the last four years out of the island's current revenue, while several millions have been borrowed on the London market. Nearly £7 million has already been spent on agricultural and irrigation schemes, medical and health services, harbours, roads, and village public utilities and by the various local authorities, such as water boards; in addition, there is the expenditure on the grid scheme for electrifying the island, which alone will cost about a third of the total amount to be spent.

Socially Cyprus is already in some respects unique in the Middle East. In the last few years the authorities have totally eradicated malaria; the island has a highly developed co-operative system; its forestry service is an example to most other countries in the area, and its arrangements for social security and welfare are a good deal in advance of those of its neighbours. On top of this, Cyprus now presents the economic paradox of an area in which both trade, commerce and capital expenditure are running at what is probably the highest level in its history. It is hardly surprising that business should be good, even if much of the profits are finding their way into land and bricks and mortar instead of the banks, and that as a result interest rates should be rising. The political problems facing the new Governor are not hard. But his economic problems are likely to be less familiar, and may present him with some surprises.



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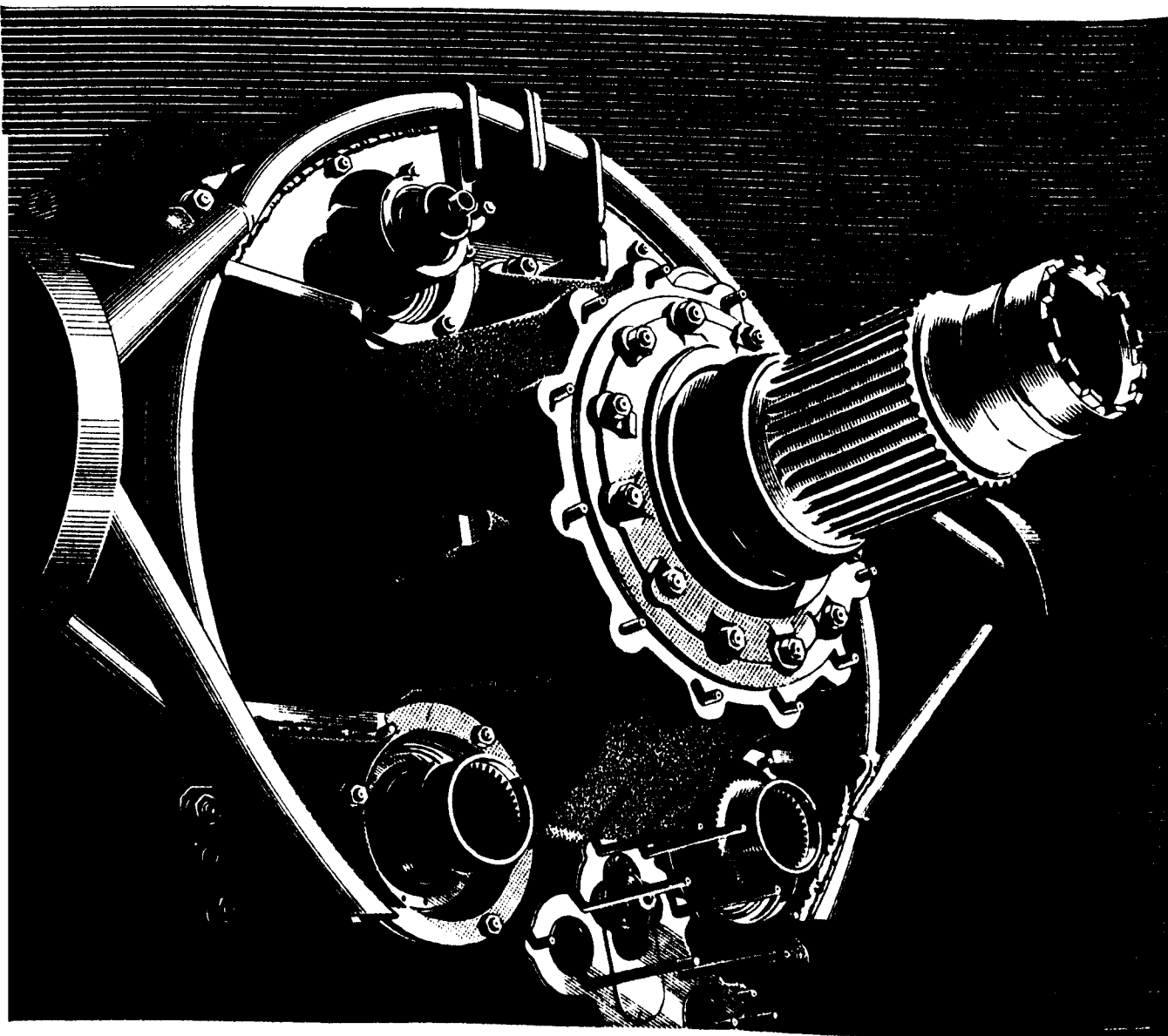
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THE BUSINESS WORLD

Pattern of the Budget

ON April 6th Mr Butler will open his third budget. After the presentation of the totals of the civil estimates for 1954-55—briefly discussed in *The Economist* last week—almost as much is known about the pattern of the Chancellor's financial problem as will be discernible before the actual budget-day. It is not a very reassuring pattern; and, indeed, if the budgetary prospect had to be judged solely by reference to the likely trend of the Government's own finances, without regard for the wider trends in the national economy as a whole, it would be definitely disturbing.

A curious feature of the current financial year is that, despite the presentation of supplementary estimates totalling no less than £228.7 million net, total ordinary expenditures have been running very close to the estimates made twelve months ago. These estimates envisaged a reduction of £91 million from the actual expenditure of 1952-53; and in the first eleven months there was in fact a reduction of £81 million. This indicates that although some departments, notably the Ministry of Food, have been spending much more than was expected (and so necessitating supplementary votes) other departments have been under-spending. This relatively favourable experience may admittedly be somewhat diluted by the big adjustments that commonly occur in the closing weeks of the year, for these adjustments are notoriously unpredictable; but there is every reason to expect the eventual total to fall substantially short of the year's estimates as revised by the inclusion of supplementaries.

It was the more disappointing, therefore, to find the estimates for the new year actually exceeding the revised estimates for 1953-54. The requirements for the civil and revenue departments, after excluding the defence portion of the Ministry of Supply estimate, are put at

£2,327.8 million, which is £238 million more than the original and £10 million more than the final estimate for the current year. This trend hardly seemed to square with the programme promised in the budget speech last year: "At home," Mr Butler then declared, "we have by no means said our last word about reducing Civil Supply expenditure. This process must go on and must play its part in maintaining the health of our economy."

It now appears that in a purely accounting sense the trend is rather less ominous than the published figures suggest. Two-thirds of the increase in prospective civil expenditure by comparison with this year's original estimates is attributable to food and agriculture, the provision for which is raised by rather more than £160 million; but an appreciable part of this addition apparently arises simply from a change in the method of accounting. Under the normal system of Exchequer "cash" accounting, receipts by trading departments from realisation of stocks are used by them in reduction of their demands for voted provision for expenditure (and, indeed, it was the prospect of such realisations that led to the big reduction shown in the original vote for the Ministry of Food for 1953-54). But now that the Government is relinquishing its trading in food and is substituting direct subsidies to producers for the so-called "cost-of-living" subsidies, the proceeds of sales of residual stocks will be credited direct to the Exchequer as "miscellaneous" revenue instead of to the former trading departments. In 1954-55 the proceeds of such sales are expected to be substantial, though the official expectation will not be disclosed until the detailed estimates for the Ministry of Food are published towards the end of this month. The actual cash requirements for agriculture and food will also depend to some extent upon

the agricultural price review now in progress, as well as upon the course of world prices during the year. The outcome of these discussions may conceivably yield some further abatement of the increase implied in the estimates just published; but in view of the experience in this past year, it would be wise not to put too much reliance upon harvesting any real savings.

There are unfortunately no such qualifications to be made about the course of the remaining items of civil expenditure, the estimates for which are some £75 million above the original estimates for 1953-54—principally on account of the rising demands for education, housing and local grants, health service, transport and expenditures in the colonies. This is not a large increase when set beside the total of civil expenditures and the pressure of rising salaries and wages; but it is evident that Mr Butler's process of pruning where he can, though doubtless continuing with as much vigour as before, cannot even keep pace with the "natural" growth of existing services. Nor is this all. Though the gross estimate for defence expenditures in 1954-55 is virtually the same as the original estimate for 1953-54 (at £1,639.9 million, against £1,636.7 million), the effective burden is likely to be a good deal

EXPENDITURE PAST AND PROSPECTIVE				
	1953-54 Original Estimates	1953-54 Final Estimates	1954-55 Original Estimates	Change on Original Estimates
Total Supply Services				
Admiralty.....	364.5	364.5	367.0	+ 2.5
War Office.....	581.0	581.0	561.0	- 20.0
Air Ministry.....	548.0	548.0	537.0	- 11.0
Ministry of Supply.....	123.8	123.8	151.0	+ 27.2
Ministry of Defence.....	19.5	19.5	23.9	+ 4.4
Gross defence expenditure.....	1,636.8	1,636.8	1,639.9	+ 3.1
Less counterpart aid.....	140.0	110.0	85.4	- 54.6
Net defence expenditure.....	1,496.8	1,496.8	1,554.5	+ 57.7
Civil.....	2,045.3	2,263.9	2,280.9	+ 235.6
Revenue depts.....	44.2	54.3	46.9	+ 2.7
Total Supply Expenditure	3,586.3	3,815.0	3,882.3	+ 296.0
Cons. Fund Services.....	673.0	673.0	673.0*	nil*
Total Ord. Expenditure	4,259.0	4,488.0	4,555.0	+ 296.0

* Hypothetical; official estimates not revealed until Budget day.

heavier than that for the current year—because it is in this sphere, apparently, that under-spending has been most marked. The addition to the real burden upon the domestic economy will probably be at least as big as the increase fortuitously shown in the "net" figures brought into the budget; these "net" estimates are computed after subtracting the sterling counterpart of the dollars expected to be received from the United States in defence aid—receipts estimated at only £85 million for 1954-55, compared with £140 million in the current year. As a result the "net" defence estimate rises from £1,497 million to £1,555 million.

None of these several refinements of interpretation, it should be emphasised, will affect the bill for prospective expenditure that confronts the Chancellor on

budget day. On the assumption that the increased expenditure estimated for the Post Office will be covered by additional Post Office revenues the bill for civil and revenue departments and for net defence expenditure will be £3,882 million. To that bill for Supply services there will be added the provision for Consolidated Fund Services, the estimates for which are never disclosed until budget day. These are unlikely to differ much from last year's estimates; if they were precisely the same, the grand total of prospective "above-line" expenditure would be £4,555 million, compared with an original estimate of £4,259 million for 1953-54 and a revised estimate of £4,488 million.

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The trend of revenue is much more difficult to estimate, but it is most unlikely to match this trend in expenditure. In the current year revenue, like expenditure, has been running close to original estimate; by end-February it showed a decline of £66 million from the corresponding figure for 1952-53, compared with an expected decline of £71 million for the full year. The original estimate for 1953-54 (£4,368 million) can therefore reasonably be taken as the starting point for estimation of 1954-55 revenues. Three sets of adjustment have then to be made: to allow, first, for the effects of tax changes made in earlier budgets; secondly, for any abnormal items in the old year or expected in the new; and, thirdly, for the effects of changes in the level of business activity.

Under the first head, the tax concessions granted last year were originally expected to cost £89½ million more in 1954-55 than in the current year—£34½ million of this additional cost being attributable to the cuts in income tax and purchase tax, £50 million to the first effect of the restoration of initial allowances (at half the original rates) and £5 million to the first effect of the repeal of EPL. In addition, the recent concessions in purchase tax will cost about £2 million. On the other hand, although 1954-55 is the first year to feel the effects of the restored initial allowances and the dropping of EPL, it will also be considerably affected by the 1952 imposition of EPL and of the still earlier (and temporary) suspension of those allowances. Although the yield from EPL has been running below estimate in this past year, it is probable that the increase expected from it in 1954-55 and from the effects of the suspension of the allowances will exceed the first cost in 1954-55 of the two concessions granted last year; the full impact of those changes will not be felt until 1955-56, when the burden may rise by £150 million or so. In estimating 1954-55 revenues, therefore, the net adjustment of 1953-54 receipts to allow for earlier tax changes may be limited to the £36½ million loss from changes in purchase tax and in income tax as such.

Under the second head, it is noteworthy that miscellaneous revenues seem to have enjoyed a windfall in 1953-54; instead of falling by £22 million as budgeted, they have so far risen by £5 million. This particular gain will presumably not be repeated. On

the other hand, there will be the new credits to be expected from liquidation of food stocks in those cases in which the Government is no longer trading. There is no means of estimating these credits, but the net gain might be of the order of £25-75 million.

The third and least predictable of the necessary adjustments concerns the effect of the 1953 recovery of production upon the yield from taxes that are assessed in arrear and of the prospectively higher level of activity (and of wages and salaries) in 1954 upon the yield from taxes that are assessed or paid currently. This "buoyancy" element in the revenue should be substantial, notably because company taxation paid in 1953-54 must have related mainly to the period of decline in company profits whilst company tax payments in 1954-55 should relate mainly to the period of recovery. But if it is to lift aggregate above-line revenues to the level of aggregate estimated expenditures, this buoyancy will have to contribute £150-200 million—or, say, up to 5 per cent of present tax revenues.

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On that basis, the prospective above-line account would be nominally in balance, whereas for the current year it is likely to show a surplus of around £100 million. The real position would, however, be less satisfactory than this, since the accounting balance would have been achieved only after taking credit (on the assumptions mentioned above) for £50-100 million of

capital receipts from sales of stocks and before providing for £85 million of effective domestic expenditure nominally written off against the "counterpart" fund. A budget founded on such a "balance" would in fact be injecting a considerable "reflationary" stimulus into the national economy. It is true, of course, that the "below-line" expenditure has in this current year fallen far below estimate, and may drop further in 1954-55. But this decline is not a disinflationary force; virtually the whole of it represents merely a transfer of financing functions from the public sector to the private, as the local authorities lean less heavily upon the Public Works Loan Board.

On the narrow criterion of the state of the Exchequer finances alone, therefore, it seems clear that only an optimistic estimate of prospective revenue would leave the Chancellor with any perceptible scope for tax relief—unless he has in mind further cuts in subsidies or changes in the structure of social expenditures that are not reflected in the estimates. On the wider criterion of the needs of the national economy as a whole, it is equally evident that there is at present no such "slack" as justified the reflationary budget of 1953. On this aspect of the Chancellor's problem, much may turn on the course of the indicators of American business in the next few weeks. If Mr Butler does in fact find room for new reliefs, it is much more likely to be because he takes a pessimistic view of world trade than because he is sanguine about the course of the Exchequer's domestic finances.

Manpower for Engineering

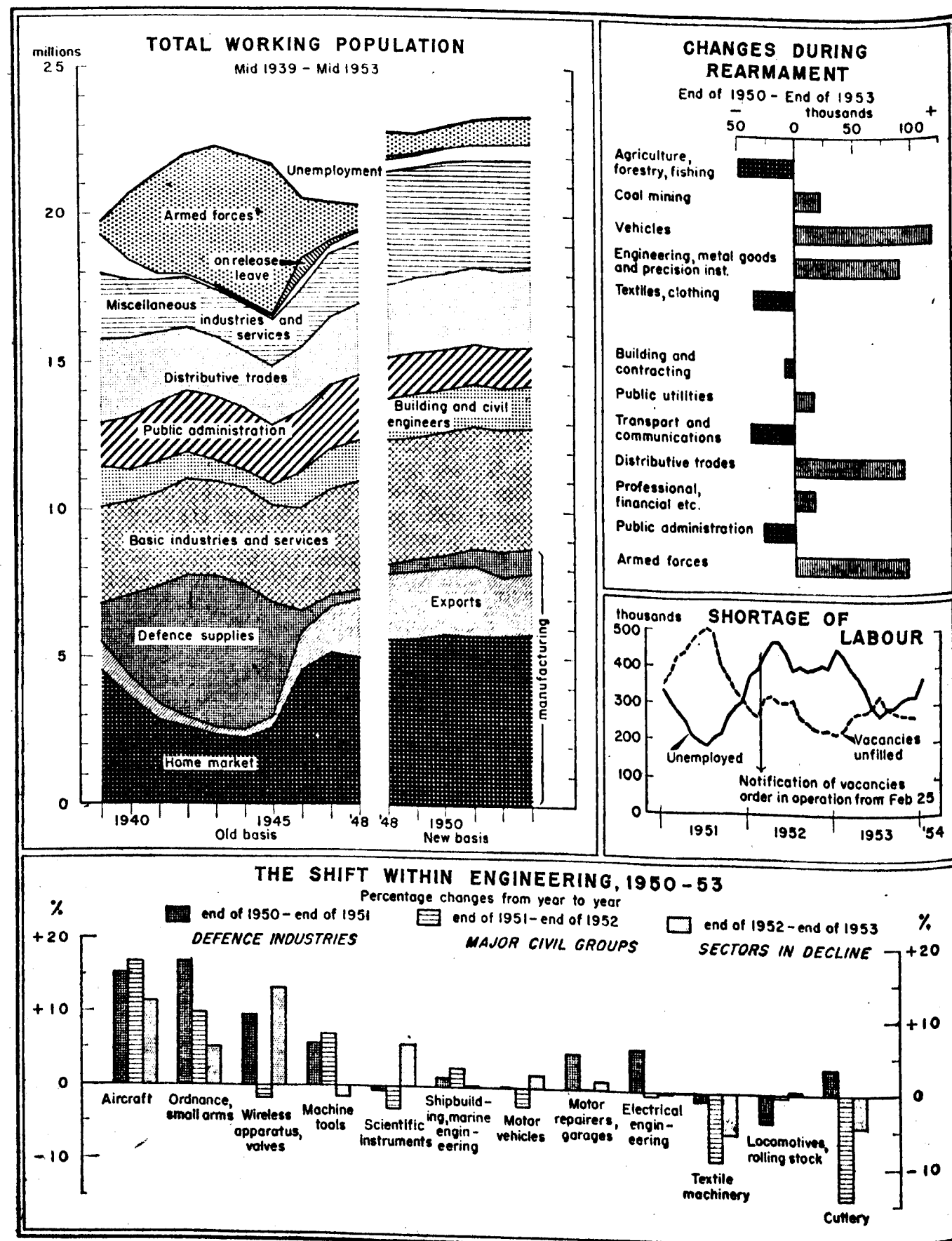
LABOUR mobility, as is well known, is always too low, just as labour turnover is always too high; but between the two most of the right jobs in the British economy somehow manage to get filled. Between 1939 and the end of 1943, the distribution of manpower in this country was stretched rudely out of its peaceful prewar shape; between 1945 and 1947, it moved back elastically towards its former pattern; and since that time it has been gradually shifting again, in response to new demands and pressures in the postwar economy. The most recent of these new pressures, since 1950, has been the rearmament programme, with its growing demands upon manpower, both for the services and, within industry, for the production to equip them. In a paper* delivered at the end of last year, Sir Godfrey Ince, Permanent Secretary of the Ministry of Labour, reviewed the broad changes in the deployment of Britain's working population since before the war; and the Ministry's year-end figures, published last week,

now make possible a closer scrutiny of the movement of manpower, under the pull of rearmament, over the past three years. Some of the more significant changes in the manpower pattern are recorded in charts on the following page.

The diversion of manpower to rearmament is now past its peak. From a total of about 690,000 in the armed forces in mid-1950, before the programme began, Service manpower grew to 872,000 by the end of 1952, but during last year declined to 850,000. "Rather less than half a million" workers, the Ministry has estimated, were engaged in the manufacture of equipment for defence in mid-1950; by the end of 1952 the figure had reached about 900,000; but by mid-1953 it was back to 850,000 men and women. Although there is a demand for extra labour—particularly skilled labour—on defence work in industries such as aircraft, this is being offset by the completion of contracts in others such as machine tools, so that there is not likely to be a significant increase, under the present plans. On the other hand, no considerable decline seems likely in the next few years; the forecast that during 1953

* "The Redistribution of Manpower in Great Britain following the Second Great War," by Sir Godfrey Ince. Manchester Statistical Society.

Labour on the Move



two million people might be in the defence forces or employed in their support seems to have been pitched rather too high, but the continuing level of defence seems likely to call for some 1½ million people—about 600,000 more than when rearmament began.

During the years of rearmament, Britain's working population has been going up, continuing a trend established before the war. The statistics were revised in 1948 to bring in an extra 2,500,000 people (mainly old people, domestic servants, and women working part-time); but apart from these newly-counted individuals the increase between mid-1939 and mid-1953 was still more than a million, and unemployment had declined by about a million. In 1939 the total manpower on defence work was, of course, higher, though the forces had fewer men. But the demands of defence during the past three years have been more than double the natural growth in the working population; and rearmament has therefore been a major influence in bringing about the shifts in civil employment in other sectors of the economy shown in the second chart.

Within civil industry, the diversion of labour to defence production left the number of workers manufacturing goods for the home market roughly stable between mid-1950 and mid-1953, at about 5,800,000 (though the figure has probably increased since). The number making goods for export apparently continued to rise until the end of 1951, but by the middle of

different industries. Between 1950 and 1953, the main shifts from particular industries have been net declines of 48,000 in agriculture and fisheries and of 35,000 in textiles and clothing (a residue of the recession); of 38,000 in transport and communications and of 27,000 in public administration. The distributive trades, contrarily, have regained nearly 100,000 workers and the "food, drink and tobacco" group some 35,000, and there have been small increases in coal mining, the public utilities, and professional and financial services. But the big increases in civil employment have been in the metal-using industries, which are responsible for about 80 per cent of rearmament production.

★

During the past three years, the total labour force in the engineering, shipbuilding, vehicles and metal goods industries has grown by some 200,000 (about 6 per cent). This net increase is probably smaller than the number of operatives who have been diverted to defence work within engineering, and there have been recent increases in the volume of some durable consumer goods—particularly passenger cars, radio and television sets—sold on the home market. So the manpower engaged upon metal exports and upon capital equipment for British industry will probably have decreased over the three years. During 1952 and the early part of 1953, indeed, declines in manpower in certain engineering industries making consumer and capital goods largely offset the growth of the industries working on defence; and the marked recovery in total engineering employment last autumn seems largely to have reflected the higher home demand for durable consumer goods. Changes within certain individual engineering industries are charted at the foot of the opposite page.

There remains a general shortage of labour in a few industries and areas, and a serious shortage of skilled labour. Manpower prospects for the future, as outlined by Sir Godfrey Ince last year, indicate a continued growth in the labour force until about 1962, and probably over the next 25 years—but not at a rate that will guarantee the increase in production that the country needs. For the immediate future, some growth in the armed forces may be required, while employment on defence production is not likely to decline much. Increases in exports of engineering products—whether of military or civil equipment—will demand more manpower; so will home industrial investment, which now shows some signs of growth; and there may not now be much more scope for shrinkage in the output of metal consumer goods for the home market. So the need over the next few years (recessions apart) seems to be a continued growth of total manpower—and capacity—within the engineering and metal-using industries. These will have to compete for manpower with the renewed growth of the consumer trades and of distributive services, within a freer economy where the accent recently has been upon home consumption.

Total Working Population	
mid-1939	19,750,000
Changes within Sectors of Economy, 1939-1953:	
Building & Civil Engineering	+ 65,000
Manufacturing Industries—	
Home Market	+ 570,000
Export	+ 900,000
Defence	- 445,000
	+ 1,025,000
Basic Industries	+ 315,000
Public Administration	+ 690,000
Armed Forces	+ 385,000
Distribution	- 375,000
Misc. Industries & Services...	- 30,000
Unemployed (approx)	- 1,000,000
Net change	+ 1,075,000
People Newly Classified in 1948	+ 2,500,000

Total Working Population	
mid-1953	23,325,000

last year was down to some 2,075,000, rather below the mid-1950 level. But rearmament was not the only major influence on home output and exports; there were other factors such as import restrictions abroad and a textile recession. And "diversion to defence" is an elastic term that may range widely between the call-up of a reservist and the mere alteration of the eventual customer for the same product made by the same workman at the same bench. So the estimates of extra manpower working upon defence production cannot be equated with changes recorded in the labour force of

Business Notes

A Slice of Cake

SOME remarks by Mr Gaitskell in Wednesday's debate deserve thought, not because of what he said but because of the man who said it. The argument is familiar: company reserves have increased in the postwar years; partly because of wage restraint companies have ploughed back sums which, if the unions had used their powers to the limit, might have been paid out as wages; therefore part of company reserves should in equity belong to the workers and not to the shareholders. The new fact was that Mr Gaitskell, an ex-chancellor, a "moderate," and an exponent of the official labour view should have talked such nonsense. Apparently it must now be taken seriously. Certainly some wages might have been forced higher. Backed by a strong personality like that of Sir Stafford Cripps voluntary restraint did work to a small extent and for a short time. But who actually showed the restraint? Not labour alone. The hard fact is that compared with 1938 levels real wages are up and the real value of dividends is down. In terms of money Mr Gaitskell himself agrees that wages have risen more than dividends. No basis for a fundamental change in the ownership of company reserves is to be found by that argument.

★

What of the practicability of devising "some system whereby the workers are given a fair share of the reserves accumulated thanks to their moderation"? The ex-chancellor knows quite well that company reserves are not spare cash in the bank. They are the invested capital of the business. Owned by the shareholders or owed by the workers, they can never be handed to the workers to consume. But they are investments and some return will in due course be earned on them—both for workers who share in the increased productivity that they yield, and for shareholders to whom they belong. What Mr Gaitskell dislikes is that part of the return belongs to shareholders and that recently dividends like wages have shown a tendency to rise.

No voluntary movement like either wage restraint or dividend restraint will last for ever. It is not desirable that it should. For the sake of efficient mobilisation of savings and the cheap financing of industry it is necessary that some companies should now pay more liberal dividends. For the sake of the future financing of industry and the future maintenance of wage rates it is necessary that Mr Gaitskell should think again. He may one day be Chancellor again. If boards of directors rated his arguments high they would now be distributing as liberally as they could—and not to the workers.

Lower Dollar Earnings

THE dollar earnings of the sterling area are still contracting, a result of reduced imports of sterling goods into the United States and a reflection—happily pale so far—of the recession in American business activity. Last month the gold and dollar reserves of the United Kingdom rose by \$40 million. Of this figure \$31 million was attributable to American defence aid. A further \$7 million was received in February in settlement of the January surplus with the European Payments Union, which in turn, was more than covered by special capital receipts by the United Kingdom

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

* 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.

from the Netherlands. The genuine commercial gold and dollar surplus for February was, thus, a mere \$2 million as against \$14 million in January and monthly averages of \$40 million, \$33 million, \$31 million and \$54 million respectively in each of the successive quarters of 1953. The trend this year continues downward, though so far the balance is still just breaking on the right side of the account. There were no special receipts of Russian gold to help the figures last month, though from the evidence of recent orders placed on Russian account in this country and of the difficulty of placing Russian exports in the sterling market, further contributions to the gold and dollar reserve may be forthcoming from this quarter before long.

The United Kingdom surplus with the European Payments Union last month amounted to £1,200,000. This will be settled in mid-March by the receipt of £600,000 in gold and the deduction of a similar amount from the British overdraft with EPU. This surplus was also due wholly to a capital transaction, namely the receipt last month of the 1954 instalment of £2,300,000 on the debt owing to the United Kingdom by the Netherlands. In the previous month the Netherlands had paid up five annuities due on this loan covering the period 1955 to 1960. But for these receipts which will not be repeated for the next six years the United Kingdom would have shown a deficit with EPU in both January and February.

The discussions in Paris concerning the extension of EPU beyond June 30th next appear to be making slower progress than had been anticipated when a meeting of the Council of the Organisation for European Economic Co-operation to consider the decisions of the EPU managing board was fixed for the end of March. It is known that all member countries are in favour of extending EPU in one form or another beyond June 30th; agreement on the precise terms of its extension is likely to be deferred until much nearer the date of the renewal.

Steel Absorbs Extra Freights

THE 10 per cent rise in railway freights is not—for the present—to be passed on to the consumer in the price of steel. That is the main significance of the Steel Board's "Price Determination, 1954, No. 1" last week, which announced changes in the price of pig iron, alloy steels, and certain finished steel products, and in stockholding extras, but no general rise in the price of steel. The steel producers are thus absorbing the rise in the price of pig iron (9s. a ton for basic and 7s. 6d. a ton for hematite pig), which does reflect the freight increase, as well as the increased freights on other steelmaking material. They can do so, presumably, because the existing prices of steel made provision for a high rate of levy on crude steel output, originally set to cover part of the high cost of imported materials as well as the cost of importing large amounts of foreign steel at high prices and selling it at the much lower British prices. Britain is today importing less foreign steel, and paying less for imported materials and their sea transport; so that the home price of steel may gradually have afforded steelmakers a cushion against increased costs and declines in export premiums.

The Board is now engaged upon a general review of "the level and structure" of steel prices, which have not been re-examined since 1949; the effect of increased freights and changes in other costs will come into its consideration, though more significance may attach to the assumptions upon which the price margins now allowed upon individual steel products are based. In theory, the export premiums earned on particular steel products were left completely out of account in setting home prices; but recent reports from individual companies have underlined the drastic changes that declines in premiums can bring about in profitability, and this has obviously had some effect upon the insistence of particular sections of the industry for revision of the price formula. Premiums, though

reduced, are still being earned except on a few steel products; a comparison of fob prices for steel products exported in January with the home trade basis prices, which gives some crude indication of "apparent premiums," suggests that over a fair range of steel products premiums of perhaps £5 to £15 a ton were still being earned. Since the beginning of the year, of course, prices of British steel exports have been cut further, in competition with the European cartel; and the trend still seems to be downward.

Extra American Aid

DURING the defence debate, the Government announced that an additional £40 million worth of orders for British military equipment will be placed by the American government. American aid for the British defence programme during the coming financial year already amounts to £85.36 million as suggested in the Defence White Paper published a few weeks ago. The pattern of American aid is becoming extremely involved. During the coming year, it looks as if £34 million will be provided in dollars in the form of "defence support aid" to be spent directly on service equipment; a further £21 million figures in the defence programme as sterling payment for American farm produce and a final £30.36 million as aircraft purchased by the American government for the use of the Royal Air Force. To this last figure must be added whatever portion of the additional £40 million mentioned by Mr Birch during Tuesday's debate is spent during that period.

The American government is thus providing more than £70 million for the purchase of aircraft for the RAF. Some of these aircraft will be the "offshore" Hunters ordered by the Americans for Nato forces; it has never been settled which Nato country will eventually operate them. But a big portion of the total must represent a direct relief for the Air Ministry's own coming budget (which allows for expenditure of roughly £225 million on aircraft armament and electronic equipment this coming year). The additional dollars will be spent on aircraft that have yet to be ordered; the sum of £40 million represents the equivalent of 100 bombers or 400 fighters. American service chiefs have been seriously disturbed at the probable consequences of the stretching-out of the British defence programme introduced last year, and this injection of £40 million of dollar orders is the result of their request that British air strength in Europe should somehow be restored to the level originally planned.

Building Society Records

WITH the publication of the results of the Halifax Building Society for the year ended January 31st nearly all the big societies and many of the smaller ones have now shown their figures for what must effectively be regarded as 1953. The Halifax, the biggest society, has also achieved new records. Total assets exceed £200 million

for the first time, rising by £19.6 million to £214.3 million. Mortgage assets are up by £18 million to £175 million. This progress comes though the rate paid to class 2 shareholders (from whom the bulk of the money comes) has so far been held a quarter per cent below the general level at 2½ per cent net. No doubt for that reason the rate of growth has been slower than in some other big societies. Halifax total assets increased during the year by a shade under 11 per cent. The next largest society, Abbey National, showed a growth of nearly 18 per cent. The liquidity ratio has been allowed to drop only from 20 per cent to 19 per cent.

It has for several weeks been obvious that 1953 was going to turn out to have been a year of great expansion in the movement as a whole—so great that it is surely time for the societies to consider how far expansion itself is a worthy object. The estimates compiled by the Building Societies Gazette, which usually turn out very close to the Chief Registrar's official figures, due in May, confirm that impression. They put the total assets of the building societies at the end of last year at £1,646 million, an increase of £168 million. For the first time over £300 million has been advanced on mortgage (£303 million compared with £266 million), and the amount outstanding on mortgage rose by £138 million to £1,401 million, while the sum due to shareholders rose by £154 million to £1,340 million. A modest rise of £6 million to £204 million in the amount due to depositors has an interest that outweighs its size. Last year was the first on which the surtax payer was required to "gross up" his building society interest for surtax purposes. It might have been expected that surtax payers would have looked for a better hole for their money once that tax concession was withdrawn. The increase in deposits suggests that there has been no substantial withdrawal of surtax payers' money. The question is becoming rather how far big deposits by companies and individuals should be welcomed by the Societies.

Planning for Atomic Power

THE debate on the second reading of the Atomic Energy Authority bill contained little discussion of the way in which the atomic power industry should be organised. This lack was the more disappointing since Sir David Eccles, in his opening speech, had provided much useful clarification of government policy on points that the White Paper and the bill left in some doubt—in particular the Authority's relation with industry. The Authority is expected to do most of the research and pilot trials in the design of atomic reactors; but when electricity supply undertakings in this country or for that matter abroad decide that such experiments appear to justify the erection of commercial atomic power plants, they will work out their own specifications, and design and erect the stations independent of the Atomic Energy Authority; the AEA's point will be to sell the fissile fuels to the owners of the power stations. A school of reactor technology is to be set up which engineers from industry and from electricity undertakings can attend to learn the necessary techniques. This suggests that industry may be allowed to play a bigger part than the terms of the bill appeared to indicate.

The first step in this policy of civil development is the

building of the atomic power station at Cumberland. This is already well in hand and on Monday Sir David announced the second step, the choice of a site in Caithness for the building of a breeder reactor. If breeder reactors can be made to produce atomic fuels from normally stable materials at a faster rate than they are consuming their original charge of fissile fuel, the biggest problem of atomic power economics, the cost and the difficulty of providing enough fissile material for a major power system, might be solved. A power race between British and American scientists has been touched off by these developments.

The problems and the risks of breeders are much greater than with the conventional thermal piles that are now working; operating temperatures are higher and fission occurs more rapidly. As a safety measure, the Caithness reactor will be enclosed in a great steel dome. The measure of the risk of atomic disintegration of one of these plants can only be guessed until one such plant has "run away"; meanwhile safety precautions are proving a major burden on atomic budgets.

According to Sir David, investment in the atomic industry amounts to about £5,000 per man employed—a high figure but one that is exceeded in the oil and chemical plants built since the war. The AEA will, it seems, be taking over capital assets of between £75 and £100 million; with the new experimental power plants completed, the total will be much higher.

Speeding Aircraft Deliveries

TWO important changes in the arrangements for placing orders for military aircraft were announced by the Minister of Supply this week. The first is the introduction of what might be described as the French system, under which a small batch of pre-production machines are ordered after the prototypes and ahead of deliveries from normal production. This corresponds to the practice in other industries of interposing pilot trials between laboratory experiments and full-scale production. The services and the aircraft industry now admit that there are no short cuts to aircraft production; experiments to save time on the drawing board and the factory floor have proved expensive failures. But if more aircraft are available for flight testing, it should be possible to reduce the time spent on development flying and the inevitable modifications that flight trials show to be necessary.

Deliveries of both the Swift and the Hunter into squadron service have been held up because of unexpected snags in the first machines off the production lines that had not been suspected on the two prototypes. But the Ministry of Supply may be unduly pessimistic in ordering as many as 20 pre-production models of the new supersonic fighter about which so much has been heard in the past few weeks; unless the design of the fighter and its engine are expected to present special problems.

The second change, which was barely touched on by the Minister, is in the long run far the more important. In the future, orders will probably be placed for a fully equipped fighting machine, complete with its electronic equipment and its armament and not simply for the aircraft alone. The newest missiles are an integral part of the air-

craft that carries them and it has been suggested that the aircraft designers could have made better progress with all-weather fighters, on which the whole structure of the country's air defence is based, had they been free from the start to draft their own specifications for the type of electronic equipment to be fitted into these machines. It is no accident that two of the most promising recent British and American designs have been private ventures, in which the designer was free to work to his own specifications.

Fall in Wool Consumption

THE first real fall for two years in the amount of raw wool entering into manufacture throughout the world came in the fourth quarter of last year. In its latest bulletin the Commonwealth Economic Committee estimate the actual consumption of virgin wool in eleven major consuming countries at 448 million lb clean weight—almost the same as the total of 451 million lb in the third quarter, when the recovery first levelled off. As there were many more working days in the fourth quarter, the rate of consumption was correspondingly below that of the third quarter, and was two per cent less than in the last quarter of 1952. In Britain, which vies with the United States as the largest consuming country, consumption per working day dropped by seven per cent; consumption in America, without correction for working day, dropped by 20 per cent. In nearly all the major consuming countries, however, activity was still at a high level. Consumption in these countries in the fourth quarter represented an annual rate of about 1,790 million lb, only 160 million lb below the 1,950 million lb consumed in the boom year 1950, and 220 million lb above the annual average of 1,570 million lb during the recession of 1951/52.

For the year 1953 as a whole, consumption rose by 16 per cent to about 1,850 million lb. The increase in Britain was well above that average, at 29 per cent; in France and Germany consumption rose by about 17 per cent and in Japan it rose by 27 per cent to a new postwar peak. The least good result comes from the United States where consumption rose by only three per cent. Production of wool tops in ten major countries rose by 30 per cent to a new postwar peak of 1,010 million lb. The British increase was again much higher than the average, at 40 per cent. Production in France and Italy rose by 27 per cent and 31 per cent, respectively, and in Germany by 66 per cent. The United States showed only a small increase of eight per cent. Output in the later stages of wool manufacture, which suffered less in the recession, increased by a smaller amount in 1953. Production of woollen and worsted yarn in twelve leading countries rose by 10 per cent to 2,406 million lb, and output of woven wool cloth in eight countries rose slightly to 1,840 million lb.

Consumption of virgin wool in the smaller countries is tentatively estimated by the committee at 750 million lb, the same as in 1952. Total world consumption is therefore put at 2,600 million lb, 11 per cent higher than in 1952 and only 80 million lb below the previous postwar peak of 2,680 million in 1950. World production of raw wool in 1953/54 is now estimated at 2,500 million lb clean, excluding normal carry-over and strategic stocks. With the addi-

tion of the 50 million lb held by the US Commodity Credit Corporation, the total world supply of 2,550 million lb thus appears to be in approximate balance with consumption, even allowing for the decline in the last quarter.

More Business in Futures

THIS approximate balance has been apparent since the new wool-selling season began last September, and has probably helped to sustain the price of raw wool. In recent weeks prices have held up well, despite the weight of the offerings now coming to auction. The estimates of the New Zealand Wool Commission (London Agency) show that the average clean prices, delivered UK, of medium and coarse crossbred wools were unchanged in February, and were hardening by the end of the month. Merino wools, however, fell further by about 5d. a lb. Competition for the spot wools available at the new series of auctions in London has been keen, particularly for crossbreds, and prices have been firm. The better tone has stimulated business in the Bradford market for tops; prices have risen slightly and delivery periods are lengthening. The London futures market in wool tops has been noticeably less bearish for several weeks. The price of March futures has risen to parity with Bradford top prices, and the discount on the distant delivery months has narrowed appreciably, aided by some arbitrage from the Antwerp market, where the discount has always been smaller than in London. July, 1955 futures are now at a discount of 15d. a lb to physical tops, compared with 21d. three weeks ago.

The volume of business on the London futures market has continued to increase. In ten months turnover has risen to an average of over 200,000 lb of 64's B merino tops a day; in January it reached a peak of about 300,000 lb a day. The hostility of some Bradford firms to the market is less now that futures are closer to actual prices of tops, thus offering a more satisfactory hedge, and part of the increased business has come through the Bradford brokers, whose clients are almost exclusively local firms. Business conducted through the London brokers has also increased, and probably reflects a greater use of the market among woollen manufacturers as well as importers of raw wool. Little interest has so far been reported from the wool-growing Dominions, where the market still tends to be viewed with apathy, if not suspicion. The market authorities will no doubt introduce a contract based on crossbred tops, which would be more attractive to users of this type of wool, when they consider that the existing merino contract has become fully established.

Falling Deposits and Rising Advances

THE latest returns of the London clearing banks show that the seasonal contraction in credit caused by the Government's repayments of short-term borrowings from the proceeds of taxation is higher than ever; but this influence is being partly offset by heavy demands for accom-

modation from the private sector of the economy. In the four weeks to February 17th, net deposits fell by £222 million; following the large fall in net deposits in the previous period, this brings the total drop in the first seven weeks of the year to £360 million—the largest yet recorded for this period.

For February by itself, however, this contraction was about the same as in 1953, but it arose in a different way. Last year's fall reflected the reduction in the banks' holdings of cash, call money and Treasury bills, following the Government's reduced call on the money machine. This year the decline in "public sector" assets considerably exceeded the fall of £270 million in net deposits. But the increased demands of the private sector of the economy were marked by a rise of nearly £46 million in advances compared with an increase of £19 million a year earlier and with an unseasonal fall of £12 million in January. Investments also fell by only £2.2 million compared with £18 million

LONDON CLEARING BANKS

	Feb. 17, 1954	Change on	
		Month	Year
Deposits	£ mn. 6,237.1	£ mn. -219.5	£ mn. 208.4
"Net" deposits*	6,010.1	-222.0	189.8
Liquid assets	£ mn. 2,071.4	%† 33.2	+ 79.0
Cash	504.5	8.1	+ 13.9
Call money	453.6	7.3	- 2.6
Treasury bills	1,034.0	16.6	+ 56.0
Other bills	79.2	1.3	+ 11.7
Investments plus ad- vances	4,015.5	64.4	+ 43.7
Investments	2,274.9	36.5	+ 145.4
Advances	1,740.6	27.9	+ 45.9

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

last year while commercial bill portfolios more than made good their drop in January, rising by £2.9 million to £79.2 million. This revival in the demands of the private sector is partly the counterpart of the exceptional decline in the preceding period; the particularly large expansion in advances was spread fairly evenly among individual banks. Total advances outstanding are now only £32 million below their level a year ago.

Exceptionally large Government repayments into the banking system reflect exceptionally high net receipts from taxation and small savings in the revenue quarter. The total Exchequer surplus in the nearest four-week period was actually slightly smaller this year than that attained in the corresponding weeks of 1953, but net repayments of tax reserve certificates (and of defence bonds) were considerably lower this year than last. The upshot is that the Government's apparent needs for finance fell by only 60 per cent of the fall in its apparent borrowings in the period. The January comparisons found precisely the opposite discrepancy—a fall in apparent borrowings slightly smaller than was suggested by the fall in apparent needs—so that there is reason to believe that both discrepancies were partly due to the distortions caused by the differences between the dates of the Exchequer accounts and the clearing bank returns.

THE ECONOMIST, MARCH 6, 1954

Oil from Russia

LAST year, Russia exported nearly 2 million metric tons of oil to the West, roughly twice as much as in 1951; and the indications are that this year those exports will be doubled again. Crude oil output in the USSR has risen by about 10 per cent annually over the last four years, and this rate of growth seems likely to continue for some time. Already, supplies seem ample for its internal consumption, which is still hampered by the low standard of living and the slow development of road transport and mechanisation in agriculture; and as the *Petroleum Press Service* comments in its current bulletin, "an expansion of oil consumption at an annual rate of 10 per cent is more than an expanding yet inflexible economy could absorb year by year." Barring drastic changes in production or consumption, therefore, Russia seems likely to have "substantial and rising quantities of oil" for export from its own sources and from the satellite countries for some years ahead.

Finland is the largest buyer of Russian oil, which it accepts in payment for its exports to Russia; this year it has contracted for 800,000 metric tons, plus 425,000 metric tons of products that it hopes to re-sell to the West. Sweden is buying 600,000 tons this year, and France, Western Germany, Italy, Belgium and other countries in Western Europe have placed substantial orders. Iceland, which has had to sell its fish to Russia as a result of the dispute with Britain, is accepting all its oil requirements from there, while Argentina, Egypt and Israel are also buying.

Most of these purchases will displace oil hitherto supplied by American or sterling oil companies. These companies have built up storage and distribution facilities in the countries concerned to handle their own products; and they are reacting strongly against suggestions from the Governments that they should handle Russian oil through these sales outlets. In Finland and Iceland, where the circumstances are exceptional, they are doing so; but elsewhere they are contending that either the Governments, the small independent importers, or the Russians themselves should provide the local importing and distributing facilities. The distributing facilities in Western Europe built up by the Russians in the twenties, when their exports mounted to a peak of 6 million tons (then 28 per cent of their output) have all been sold and disbanded; this, and the opposition of the international oil companies, may set a limit to future exports.

Another CDFC Investment

IT is no more than a coincidence that the first two investments by the Commonwealth Development Finance Company are in public utility companies. Public utility projects can make an important, though indirect, contribution to the sterling area's balance of payments; but it is likely that the Company's later investments will be directly associated with industrial development in the Commonwealth. CDFC's second operation (the first, announced a fortnight ago, was the subscription of ordinary capital in the newly formed Pakistan company, Sui Gas Transmis-

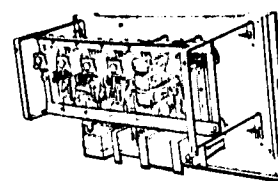


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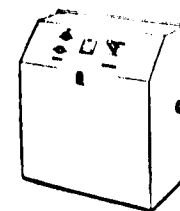
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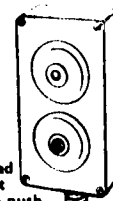
PATROL RECORDER



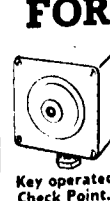
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indicating to the Watchman when to start each patrol, recording each properly completed patrol and warning if patrols are not so completed.

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Key operated
Check Point
with Alarm push.



Key operated
Check Point.

FOR

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.



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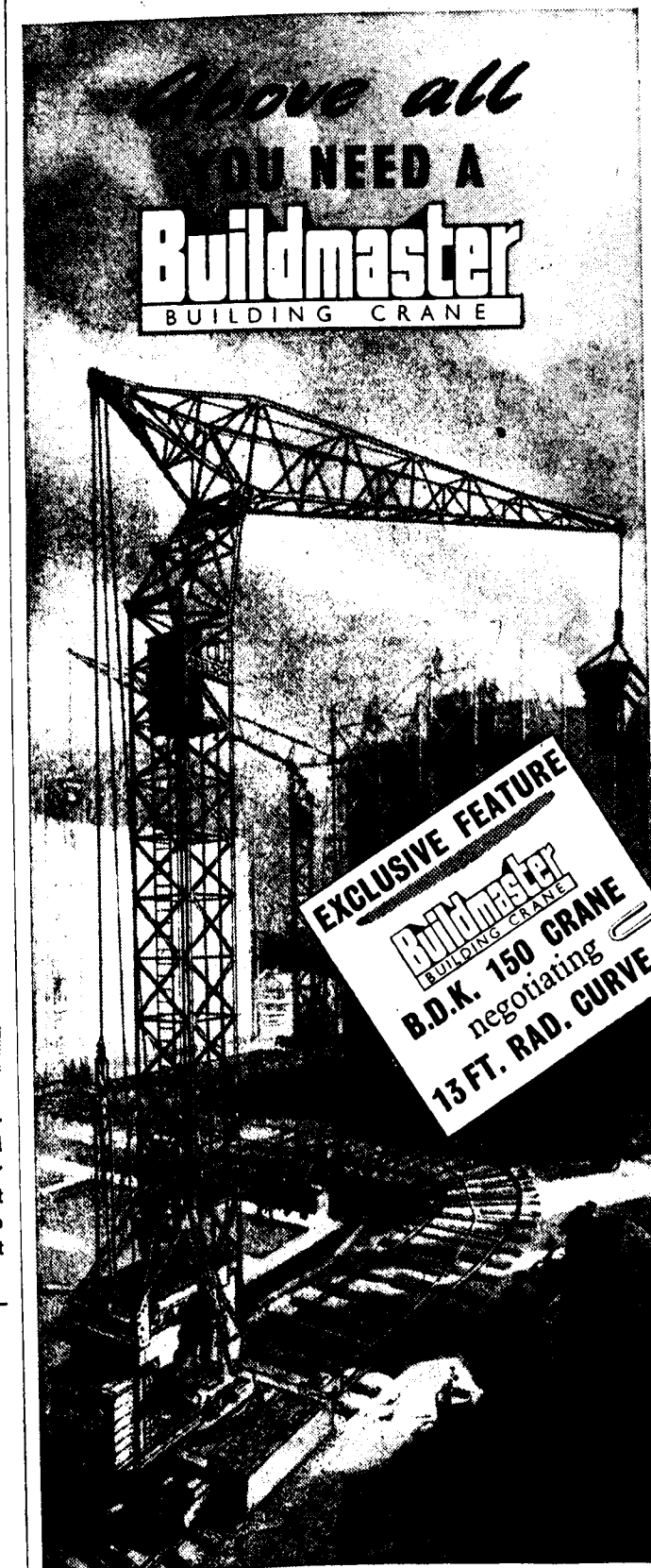
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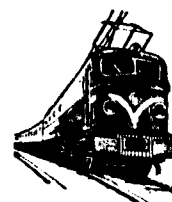
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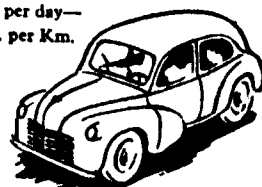
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sion) is in a £2 million loan stock of the well established South African statutory corporation, the Electricity Supply Commission ("Escom"). This loan, which will be used to step up power generation in the Rand and the Orange Free State, is for 15 years at 5 per cent; the effective issue price was 98½.

By accepting the private placing of this sound and well paying investment CDFC has behaved like any other institutional investor. But it has also fulfilled its primary function of lending for Commonwealth development when other sources of finance are not readily available. "Escom," which in the past has issued its loans in South Africa and more recently borrowed \$30 million from the International Bank for Reconstruction and Development, appears to have been anxious to secure some British participation in its latest developments as well. "Escom" will undoubtedly raise more new money in the Cape later on, for it has a massive development programme, estimated to cost about £90 million, ahead of it. But it must have been clear, or even made clear, to "Escom" that it would not find a place in the queue of Commonwealth borrowers in Throgmorton Street. The development company then stepped into the breach.

With its first two investments, CDFC has lent about one-tenth of its initially authorised borrowing powers of £30 million. This is the sudden stride forward when the starter's pistol cracks; later it may be expected to settle down to a steadier pace. The company will ultimately have to weigh the choices between calling up more of its authorised capital of £15 million, borrowing on loan in the City against the backing of its portfolio, or of passing on some of its investments to other investors. Thus it will follow in the steps of the International Bank, but its rates of lending will always be higher than those of the Bank. It cannot raise the money it needs on such fine terms as can the Bank nor does it demand, as the Bank does, that the investments it makes should be backed by government guarantees. Initially, of course, CDFC will tend to lend by way of loan stocks, though probably on those issued by companies in a much earlier stage of development than "Escom." But, as its first venture showed, it is willing when the occasion arises to take an equity interest in new projects.

Aid Cotton Goes Begging

IT is now increasingly likely that Lancashire will use more United States cotton when imports are freed on September 1st. The recent advance in world cotton prices has been sharper in certain other growths of American type than in United States cotton itself. The Raw Cotton Commission's price for US middling cotton, 1 inch staple, has risen from 32.35d. a lb on November 16th to 33.90d. this week, while Pakistan LSS-type cotton, which stood at 29.30d. a lb in mid-November, is now quoted in Karachi at the equivalent of 35.50d. Sao Paulo (Brazilian) cotton, type 5 stood at 27.70d. a lb in mid-November, whereas the Commission's index for new crop Sao Paulo is now 32.25d. a lb. In a statement on this disparity in prices of dollar and non-dollar cottons, the Commission recalls that last year Lancashire spinners enjoyed relatively cheap imports

of Brazilian cotton owing to special exchange transactions and barter deals, and it understands that such transactions will not be permitted this year. For the time being the Commission is not buying either new crop Brazilian or Pakistan cotton, owing to the unwillingness of spinners to pay the present premium for these types over the corresponding United States growths.

If outside growths continue to be dearer than US cotton—which is by no means certain—Lancashire will probably use the whole of its present entitlement of US cotton, and use still more when imports are freed. It seems all the more ironical that the \$20 million worth of cotton allocated to Britain under this year's American aid programme is not being fully taken up, because of the rigid terms on which it must be sold. Private importers have bought almost none of this cotton; the Raw Cotton Commission has bought sizeable quantities, but its requirements are limited by its withdrawal from public trading in August; hence less than half the total allotment may have been used when the current aid programme ends on June 30th. Britain will consequently have to pay dollars for cotton that it should have obtained for sterling.

From Wagons to Banking

FOR a merchant bank to make any part of its equity available to investors is a Stock Exchange rarity. For a wagon company to turn itself into a merchant bank is an even greater oddity. Both events will be in the public eye next Tuesday when Stock Exchange dealings are expected to start at around 38s. 6d. in the £1 ordinary shares of Mercury Securities. Mercury Securities was formerly Central Wagon (Holding) Company and its asset, apart from cash, is the bulk of the capital of S. G. Warburg and Company, the merchant bankers. This will give indirectly a market value for shares in the Warburg business for estate duty. The method adopted in this case shows that the direct route to a quotation is not necessarily the cheapest or the quickest.

In 1952 Central Wagon (Holding) Company found itself with government stock (which it soon exchanged into cash) in place of nationalised wagons, and some shares in subsidiaries in the wagon building and repairing business. The

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shares in subsidiaries were distributed in kind to the shareholders and the shell—Stock Exchange quotation and cash were acquired by third parties as a repository for the equity in S. G. Warburg and Company. The name was changed to Mercury Securities, and it acquired for £940,613 some 278,520 £1 "A" ordinary shares and 514,766 £1 "B" ordinary shares of Warburgs. The income from these is estimated to be sufficient to enable Mercury to pay a dividend of not less than 8 per cent per annum, indicating a yield of a little over 4 per cent at the opening price. Warburgs have an issued capital of £1,055,000 in 250,000 5 per cent redeemable cumulative preference shares of £1, 280,000 £1 "A" ordinary shares, 520,000 "B" ordinary shares of £1, and 100,000 founder shares of 1s. each. Thus over 99 per cent of the equity of Warburgs is held by Mercury.

S. G. Warburg and Company is a merchant bank with a progressive postwar profit record. It is, moreover, more than a merchant bank, for it controls Brandeis, Goldschmidt and Company, the metal merchants of London and New York, who also have a well-established position. The Mercury shares have attractive possibilities. But no outsider will be able to buy a big voting stake in the Warburg business. Only a few Mercury shares will be available and Mercury itself, though it holds 99 per cent of the Warburg equity, has much less than voting control. The tail that wags the Warburg dog is the £5,000 nominal of founders' capital. For dividend the founders' shares rank as junior preference shares, but they wield more than three times the total votes of the two classes of ordinary capital together.

Credit Insurance for Satellites

OFFICIAL encouragement for British trade with Eastern Europe is reflected in the relaxations announced last week by the Export Credits Guarantee Department. In recent years the Department has been willing to insure the risk of selling to Poland, Hungary, Bulgaria, Rumania, Czechoslovakia and East Germany only when payment was by a confirmed irrevocable letter of credit. It is now prepared to cover exports settled by a credit of up to ninety days. But the Department's gesture is qualified by the stipulation that it may require an unconditional guarantee, by the appropriate central bank, of payment in sterling at the due date. British trade with all these countries is on a sterling basis. The terms for covering business with China remain extremely strict—an irrevocable letter of credit, confirmed before shipment of the goods by a bank in Britain for payment in cash against documents on shipment. The Department will continue to cover business with Russia, which has a high reputation for paying on the nail, on the customary terms on which British exporters normally trade with that country.

British imports from Eastern Europe and East Germany amounted to about £34 million last year, and exports to about £15 million. Trade with Poland alone is of significant size. Imports from Poland last year amounted to £23 million, and exports to £7 million; Poland seems to have spent most of its surplus on sterling wool. Exports to Eastern Europe may increase somewhat if the United States can agree to a relaxation or redefinition of the exist-

ing controls on shipments of "strategic" goods. Trade talks with Poland started in London this week and the Poles are believed to be anxious to obtain many types of capital goods. Similar talks with Hungary begin here in the middle of this month. A few barter deals have been concluded with Eastern Europe, the latest being one with Bulgaria for the exchange of wheat against British and French steel products.

Slimming a White Elephant

THE plans announced last autumn by the Minister of Supply for the reorganisation of Woolwich Arsenal, "white elephant" of the Royal Ordnance Factories, have now been discussed with the employees and the local authorities concerned, and last week the Minister confirmed that they are to be put into effect. Under these the filling factory at the Arsenal is to be dismantled and the site cleared and decontaminated; the gun and ammunition factories are to be amalgamated into a single Ordnance factory, which will specialise on experimental and development work, modifications, and the manufacture of tools and gauges, but cease to undertake regular line production. A site of some 100 acres on the south of the 1,300-acre Arsenal area is to be sold—possibly to the London County Council—as an industrial estate for new factories; the remainder of the central area will be used for the engineering workshops and stores of the Service departments, and the marshland at the eastern end of the site, still used for storage and transit of explosives, is to be raised above river level by controlled tipping.

The trade unions whose members work at the Arsenal, in discussions with the Minister, inevitably urged that the labour force should be maintained at its present level. The Arsenal reorganisation, which will take several years, will reduce the number of Ordnance workers there, but this will largely be carried out by ceasing to replace the men who leave. The Minister expressed a hope that the eventual employment on the site—when the London County Council has organised the industrial estate and attracted the commercial companies to it—may eventually exceed the 14,000 people employed there today.

Building Dividends

FLETON brick and cement manufacturers may have been barely able to keep pace with the soaring demand for building materials, but their active trading has already been heavily discounted in stock markets. That explains why the equity stocks of Rugby Portland Cement and London Brick were marked down after those companies had announced their dividends for the year to December 31st. London Brick effective rate of dividend, taking account of the 50 per cent share bonus last November, has been raised from 11½ to 14 per cent; but even so its £1 equity stock units were marked down by 1s. 3d. to 55s. 6d., yielding only a fraction over 5 per cent. Rugby Portland Cement merely maintained its dividend by declaring a rate of 1s. on each



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To meet these needs, 40 new power stations have been brought into operation since British Electricity was established and the amount of power available has been increased by 50 per cent. But generating plant, which *could* work to capacity all day and night is *in fact* only required to give full output for short periods once or twice during the day.

If electricity were more widely used by factories, farms, 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.



ELECTRICITY PROSPERITY

THE ECONOMIST, MARCH 6, 1954



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5s. share, in addition to the customary tax free capital distribution of 3d. a share; the shares fell 1s. to 28s. 6d.

The Rugby Portland dividend was left unchanged in spite of a sturdy advance in trading profits, including investment income, from £675,752 to £768,772 and in equity earnings from £156,379 to £186,241. In deciding not to raise the dividend the board must have taken account of the fact that this year the dividend will have to service a further million of ordinary shares, arising from the options granted with the loan stock issue to subscribe for equity shares last December. Presumably, the directors of London Brick in deciding on an increased dividend knew that the company's profits had likewise advanced.

Unfortunately, they have stuck to the old practice of declaring a second interim dividend which takes the place of a final distribution well in advance of the year's trading results. But the directors must have had some figures before them when they reached their decision. Shareholders may feel that the practice of not supporting the dividend announcement with any statement of earnings—even subject to audit—is not the best. The practice almost universally adopted since the war of flanking the final dividend with a statement of earnings is sound and ought to be followed wherever possible.

SHORTER NOTES

Gilt edged prices took a temporary dip on Thursday afternoon when it was announced that underwriting was shortly to start for a Glasgow Corporation loan of £5 million 3½ per cent stock at £98 dated 1971-73. The terms are finely drawn to yield just the same as the existing Liverpool Corporation 4 per cent stock with a slight advantage in favour of Glasgow in that the Glasgow stock will start at £2 per cent discount. The impression is therefore that an adequate response will be forthcoming when lists open on Wednesday.

A dollar loan of \$54 million for the Commonwealth of Australia is announced by the International Bank, to be used for the import of capital goods for agriculture, forestry, transport, electric power, and for various industries. About a quarter of the total is to be devoted to agriculture. The loan is for 15 years, at 4½ per cent amortisation, starting in 1957. This is the third loan which Australia has drawn from the International Bank. The first was for \$100 million and the second, of which three-fifths has now been disbursed, was for \$50 million in July, 1952.

The announcement from Bradford Dyers that its ordinary dividend was to be raised from 10 to 15 per cent cheered up the stock markets this week; the company's £1 ordinary stock units were marked up by 3s. 4½d. to 36s. 10½d., to yield 8½ per cent. In 1953, the profits earned in Britain, where some of its plants may have been hard pressed to satisfy demands fully, advanced from £1,084,064 to £1,672,135, but profits earned by overseas subsidiaries fell from £1,032,901 to £725,385.

Private imports of tungsten ores and concentrates will be permitted on April 1st from all sources except the dollar area, but consumers will have to purchase a portion of their requirements from the Ministry of Materials until its surplus stocks have been cleared.

In *The Economist* of last week, consumption figures for margarine and butter in Britain were given for 1952. The Commonwealth Economic Committee estimates that in 1953, consumption of margarine fell from 19.3 to 18.2 lb per head per year while that of butter rose from 10.9 to 13.5 lb.

Company Notes

ASSOCIATED ELECTRICAL INDUSTRIES. Two preliminary reports, those issued by Associated Electrical and Hoover, hammered the point home this week that it is the profits and dividends of those companies that suffered most in the earlier recession that offer the greatest scope for expansion now. The companies producing capital goods, of which Associated Electrical concentrating half its output on generating plant is a prime example, have far less to offer—at the moment. This is a lesson that some investors have still to learn. In the market it had been anticipated that after the 100 per cent share bonus AEI would pay a dividend of 12½ per cent on the new capital. In fact, this dividend was increased effectively only by 1½ per cent to 11½ per cent and, as if to emphasise its transient nature, the directors described

the 1½ per cent as a bonus. After this news AEI's £1 ordinary stock units were marked down by 1s. to 44s. 9d., but they later recovered to 46s.

Are there grounds for hoping that the 12½ per cent dividend will be reached next year? AEI is still working its way through a massive order book, which at the end of 1952 was estimated at £183 million, and trading profits in 1953 advanced once more, from £12,336,000 to £13,674,000. It looks as if orders in the current year are assured, but after that the outlook may grow less certain, in view of increased overseas competition. AEI will have to keep a tight rein on costs and prices. Even though the orders are there this is no guarantee that trading profits in the current year can expand rapidly. Investors must therefore pin their hopes for a bigger dividend on the

fact that AEI's net profits in the last two years have been curtailed by EPL charges. Last year EPL took £1,340,000 from a total tax provision of £7,812,000, compared with £1,052,000 from a total bill of

	Years to Dec. 31,	
	1952	1953
Consolidated earnings:—		
Trading Profit	12,336,000	13,674,000
Total income	12,558,000	14,178,000
Depreciation	1,014,000	1,249,000
Replacement Reserve ..	1,330,000	1,377,000
Taxation	7,202,000	7,812,000
Net Profit	2,702,000	2,933,000
Ordinary dividends	931,413	1,097,736
Ordinary dividends (per cent)	20*	11½
Retained by subsidiaries	1,185,000	1,433,000
£1 ordinary stock at 46s. 0d. yields £4 18s. per cent.		
* Equivalent to 10 per cent on the capital of £17,741,192, as increased by the 100 per cent share bonus.		

£7,202,000 in 1952. Net profits should increase this year, but if the prospect is less rosy than it has been over the last few years the directors may feel inclined to caution.

HOOVER. AEI's dividend fell short of market expectations, but Hoover's dividend far exceeded them. The ordinary payment which was reduced from 35 to 25 per cent in 1952 has been raised to 45 per cent, and the dividend on the "A" is. ordinary shares, owned largely by the company's senior executives and by trustees for the employees, has been raised from 10.9815d. a share to 3s. 8.7132d. a share. The 5s. ordinary stock units were immediately marked up by 1s. 6d. to 32s. 3d., to offer a yield of nearly 7 per cent.

The bigger dividend appears to have been prompted by the sharp increase in both gross and net profits. The group's profits before tax have almost doubled, rising from £1,602,721 to £3,095,793, and its net profits have more than doubled, from £628,089 to £1,281,650. Profits in 1953 ran at about the same level as in 1951, before they collapsed in the face of hire purchase restrictions at home, the closing of the Australian market and the strengthening of overseas competition. The group obviously made the most of the re-opening of Commonwealth markets and the rather less austere conditions at home last year. This is a happy outcome to Sir Charles Colston's valedictory year as chairman and managing director. Hoover has proved its resilience but in considering the yield offered on its stock investors should always remember that producers of durable household goods are, as Hoover's past experience illustrates, among the most vulnerable industries in a trade recession.

★

STORE PROFITS. Preliminary results recently published by some of the leading departmental stores show that they have all participated in last year's 5 per cent rise in retail sales. All the stores results so far show higher gross and net profits and two of the largest groups, Lewis's Investment Trust and Harrods, have raised their ordinary dividends. The equity dividend of Lewis's Investment

Trust has been increased from 27½ to 32½ per cent and that of Harrods from 13½ to 15 per cent; A. W. Gamage has left its dividend unchanged in spite of an increase in profits.

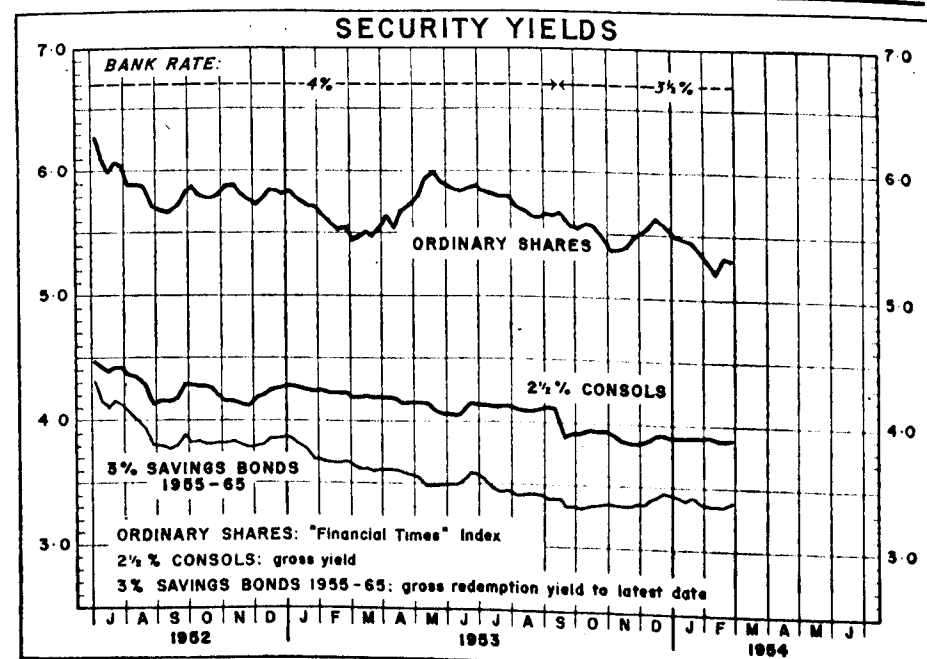
The figures, detailed in the accompanying table, suggest that the improvement in retail sales and profits was not confined to any particular area. The London stores, of which Harrods and Selfridges serve as good examples, benefited from

	Years to Jan. 31,	
	1953	1954
Consolidated earnings:—		
Lewis's Investment Trust:		
Profit, before tax	4,460,190	4,580,653
Net Profit	1,737,949	1,895,785
Ordinary dividends (per cent)	27½	32½
Lewis's:		
Profit, before tax	2,604,924	2,734,749
Net Profit	1,076,175	1,189,666
Selfridges (Holdings):		
Profit, before tax	1,102,090	1,190,256
Net Profit	339,538	471,079
A. W. Gamage:		
Profit, before tax	239,104	254,324
Net Profit	90,594	115,657
Ordinary dividends (per cent)	25	25
Harrods:		
Profit, before tax	1,419,591	1,786,424
Net Profit	550,721	674,532
Ordinary dividends (per cent)	13½	15

* Wholly owned subsidiaries of Lewis's Investment Trust.

the increase in spending at the time of the Coronation. The stores in the north and Midlands, represented in this sample by Lewis's, must also have benefited from the revival in trade in the basic industries of those areas. The advance in the profits of A. W. Gamage, which does quite a substantial mail order and hire purchase business, strengthens the impression of greater prosperity up and down the country.

In 1952-53 the profits of the departmental stores were adversely affected by the drop in textile sales, so that the moderate advances in profits reported in 1953-54 are not surprising. The departmental stores have done well, but not so well as the leading chain stores.



LONDON STOCK EXCHANGE

Next Account begins: March 17th.
Next Contango Day: March 17th.
Next Settlement Day: March 9th.

INDUSTRIAL equities continued to weaken in the last few days of the old account, but then took a turn for the better when dealings began on Thursday. Until Wednesday gilt-edged stocks moved upwards in response to steady institutional support but the announcement of the Glasgow issue sharply checked the rise. At the end of the old account much of the buying interest was concentrated upon German municipal issues and on the first day of the new account this interest broadened out to include the Dawes and Young issues. Japanese issues were marked down at the end of the account but they began to improve when the new account opened.

Industrial equities went through a bad patch at the end of the old account and on the first day of the new, so that on Wednesday the *Financial Times* ordinary share index had fallen to 135.0, compared with 137.4 a week earlier. Although a few issues resisted this trend (usually on the news of higher dividends) most sections of the market were dull; some of the heaviest losses were made among tobacco and textile shares. When the market opened on Thursday, however, prices began to improve again, stimulated in part by the higher dividend from Bradford Dyers. The leaders in this rally were to be found in the textile and stores sections of the market.

Although oil shares were a little unsettled on Monday by the news of over-production in the United States, they soon rallied and on the first day of the new account Anglo-Iranian rose above 10 for the first time since 1948; in early dealings on Thursday the shares were quoted at 10½. Tea shares drifted lower in spite of the better prices at the auctions and rubbers were idle. The end of the account in Kaffirs closed with a long list of slight falls in prices, though exceptionally Dominion Reefs and F.S. Geduld moved against this trend. In the new account, however, prices rallied under the lead of the uranium issues, with Dominion Reefs and F.S. Geduld still in the van.

FINANCIAL TIMES INDICES				
1954	Security Indices	Yields		
	Ord.*	Fixed Int.†	2½ Cons.	Ord.
Feb. 24...	137.4	112.25	3.89	5.28
" 25...	137.0	112.30	3.89	5.32
" 26...	136.3	112.23	3.89	5.34
Mar. 1...	136.0	112.09	3.91	5.36
" 2...	135.7	112.05	3.91	5.37
" 3...	135.9	111.81	3.92	5.40
1954, High...	140.2	112.47		
" (Feb. 9)	131.1	111.78	Feb. 24	9,830
" Low...	131.1	111.78	" 25	9,641
" (Jan. 1)	131.1	111.78	" 26	9,851
1953, High...	131.5	112.55	Mar. 1	12,139
" (Nov. 4)	113.9	105.68	" 2	11,160
" Low...	113.9	105.68	" 3	10,716
" (May 20)				

* July 1, 1955 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Mar. 3		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Feb. 24, 1954	Price, Mar. 3, 1954	Net Yield, Mar. 3, 1954 %	Gross Yield, Mar. 3, 1954 %	Prices, 1954 Jan. 1 to Mar. 3		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Feb. 24, 1954	Price, Mar. 3, 1954	Yield, Mar. 3, 1954 %
High	Low							High	Low						
100	99½	Exchequer 2½% 1955	100	100	100	4 3/4	4 3/4	48/6	41/4	12½	STEEL & ENGINEERING		47/-	46/-	6 10 5
102	101½	Exchequer 3% 1960	101	101	101	1 7/8	1 7/8	14/2½	13/1	15 c	B.S.A. £1		13/9	13/9	6 15 3
100	99½	Exchequer 3% '62-63	100	100	100	1 13/16	1 13/16	52/9	49/9	10 b	5 a Cammell Laird 5/-		50/6	51/6	5 16 6
99½	99	Serial Funding 1% 1954	99½	99½	99½	1 1/4	1 1/4	24/9	22/1½	2½ a	7½ b Guest Keen N'fold £1		23/9	22/9	7 18 3
99½	99	Serial Funding 2½% 1957	99½	99½	99½	1 5/10	1 5/10	52/-	47/6	12½ b	2½ a United Steel £1		50/6	51/3	5 17 1
101	101	Serial Funding 3% 1955	101	101	101	0 15 11	2 7/8	36/9	32/-	7 b	4 a Bradford Dyers £1		34/-	34/-	6 9 5
100	100	War Bonds 2½% '54-56	100	100	100	1 4 6	2 7/8	27/1½	24/9	12½	6 a Brit. Celanese 10/-		25/9	25/6	6 5 6
100	100	Funding 2½% '52-57	100	100	100	1 3 6	2 9 10	56/6	49/4	12½	5 a Coats (J. & P.) £1		52/-	53/6	4 13 5
101	100	Nat. Debt 3% '54-58	101	101	101	1 5 5	2 13 0	27/4	25/2½	6½ b	6½ a Courtalds £1		53/3	56/4	5 7 2½
102	101½	War Loan 3% '55-59	102	102	102	1 5 5	2 14 1	53/3	47/4	5 a	10 b Lancs. Cotton £1		48/6	47/9	6 5 8½
97	95	Savings Bonds 3% '55-65	96	96	96	1 19 7	3 7 3	69/3	64/-	20 c	5 a Patons & Baldwin £1		66/6	66/6	6 0 4
98	97	Funding 2½% '56-61	98	98	98	1 14 0	2 18 1	46/6	41/9	7½ a	7½ b Assoc. Elect. £1		46/-	46/-	4 17 10
94	92	Funding 3% '59-69	93	93	93	2 3 5	3 12 6	44/-	38/-	10 c	2½ a B.I.C.C. £1		42/-	41/-	4 17 7
95	93	Funding 3% '66-68	101	101	101	2 0 4	3 18 4	44/6	39/3	5 a	6½ b English Elect. £1		42/6	41/3	4 17 0
01	100	Funding 4% '60-90	91	91	91	2 5 6	3 14 0	43/9	37/9	7½ b	3½ a General Elect. £1		42/6	42/6	5 5 11
92	90	Savings Bonds 3% '60-70	91	90	90	2 4 5	3 9 0				MOTOR & AIRCRAFT				
91	90	Savings Bonds 2½% '64-67	90	90	90	2 1 6	3 17 2	20/6	18/6	6½ b	3½ a Bristol Aero 10/-		19/9	19/4	5 1 11
103	101	Victory 4% '20-76	101	101	101	2 6 7	3 15 9	7/1½	6/3½	4 a	6½ b British Motor 5/-		6/9	6/7	7 18 6
89	87	Savings Bonds 3% '65-75	88	88	88	2 6 7	4 4 10	29/3	26/-	7½ c	7½ c De Havilland £1		28/3	28/-	5 7 2
94	93	Consols 4% aft. Feb. '57	94	94	94	2 6 3	4 2 1	43/1½	35/9	15 c	15 c Ford Motor £1		42/3	42/3	3 11 0
86	84	Conv. 3½% aft. April '61	85	85	85	1 19 9	3 11 5	55/3	47/7½	6 a	9 b Hawker Siddeley £1		55/-	54/6	5 10 1
99	99	Conv. 3½% 1969	99	99	99	2 3 3	3 18 7	97/-	84/3	25 c	25 c Leyland Motors £1		87/6	85/-	5 17 8
64	63	Treas. 2½% aft. April '75	63	63	63	2 4 4	4 0 6	35/9	31/-	2 a	8 b Raleigh Ind. £1		35/-	35/-	5 14 3
75	74	Treas. 3% aft. April '66	75	74	74	2 4 4	4 0 6	70/3	66/0	10 b	5 a Rolls Royce £1		68/1½	66/10	4 9 9
93	92	Treas. 3½% '77-80	93	93	93	2 4 10	3 17 9	6/9½	5/5½	12 c	12 c Standard Motor 5/-		6/4	6/-	10 0 0
94	92	Treas. 3½% '79-81	93	93	93	2 6 0	3 15 5				SHOPS & STORES				
85	83	Redemption 3% '86-96	83	83	83	2 6 4	4 2 10	26/-	23/3	20 c	10 a Boots Pure Drug 5/-		24/3	23/3	4 6 0
85	84	War L'n 3½% aft. Dec. '52	85	85	85	2 3 0	3 18 1	36/6	32/-	12½ a	37½ b Debenhams 10/-		34/3	34/3	5 16 9
64	63	Consols 2½%	64	63	63	2 6 7	3 15 2	101/-	92/9	17½ b	5 a Lyons (J.) "A" £1		100/-	100/-	4 10 0
90	88	Br. Elec. 3% '68-73	89	89	89	2 6 1	3 15 2	86/9	73/10½	35 b	20 a Marks & Spen. "A" 5/-		84/-	84/-	3 5 6
89	87	Br. Elec. 3% '74-79	88	88	88	2 2 2	3 19 4	69/4	64/-	20 a	40 b Woolworth 5/-		68/-	69/-	4 6 11
05	103	Br. Elec. 4½% '74-79	103	103	103	2 4 2	3 17 5				OIL				
95	93	Br. Elec. 4½% '76-79	95	95	95	2 6 11	3 17 7	10	8	30 b	5 a Anglo-Iranian £1		9	10	3 6 11
84	83	Br. Trans. 3% '78-88	83	83	83	2 6 8	3 15 4	71/10½	56/10	12½ b	2½ a Burmah Oil £1		66/10	71/3	4 5 6
90	88	Br. Trans. 3% '68-73	89	89	89	2 6 8	3 15 4	67	63	12 b	4 a Royal Dutch 100 fl.		67	67	4 0 3
02	100	Br. Trans. 4% '72-77	101	101	101	2 5 0	3 15 11	100/10	93/4	10½ b	5½ a Shell Reg. £1		98/9	98/1½	5 11 2
85	84	Br. Gas 3% '90-95	84	84	84	2 2 8	3 14 8	20/7½	17/6	5½ a	15½ b Trinidad L'holds 5/-		20/-	19/6	4 13 3
98	96	Br. Gas 3½% '69-71	96	96	96	2 2 8	3 14 8				SHIPPING				
02	99	Br. Gas 4% '69-72	101	101	101	2 1 10	3 17 8	42/-	37/9	13½ b	2½ a Cunard £1		40/6	40/-	8 0 0
								79/9	62/6	14 b	6 a P. & O. Def. £1		77/-	79/6	5 0 8
								34/9	32/-	10 c	10 c Royal Mail £1		34/-	33/6	5 19 5
											MISCELLANEOUS				
								78/-	67/9	22½ b	5 a Assoc. Port. Cem. £1		77/6	73/1½	4 2 1
								50/1½	44/-	15 c	16 c Bowater Paper £1		46/3	45/7½	7 0 4
								39/6	36/-	8 b	4 a Brit. Aluminium £1		39/-	39/-	6 3 1
								43/3	37/3	12½ c	4½ a Brit. Amer. Tob. 10/-		41/-	37/6	6 1 3
								447	381	3 a	3 b Canadian Pacific \$25		443	443	6 6 11
								6/10½	5/1½	6½ a	11½ b Carreras "B" 2/6		5/1½	5/3	8 6 8
								39/9	35/3	35 c	5 a Decca Record 5/-		36/9	36/-	4 17 3
								21/-	18/5	17½ c	17½ c Dunlop Rubber 10/-		19/6	19/6	5 19 8
								58/9	53/-	8 b	6 a Imp. Chemical £1		57/9	56/3	5 6 8
								58/7½	50/6	8½ a	11½ b Imp. Tobacco £1		55/-	50/6	7 18 5
								71½	66½	\$2.60 c	\$2.35 c Inter. Nickel n.p.v.		\$68½	\$68½	6 3 3
								57/-	51/6	7½ a	9 b London Brick £1		56/3	55/7½	5 0 8</

Statistics

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

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

Prices and Wages

	Unit	1951	1952	1953	1953			1954			
			mid-June		Feb. 17	Feb. 24	Mar. 3	Feb. 9	Feb. 16	Feb. 23	Mar. 2
WORLD PRICES											
Commodity Price Indicator :											
All items.....	1952 100	126	99	89	93	93	93	96	96	97	97
Food.....	"	114	100	93	95	95	96	114	115	119	119
Fibres.....	"	167	99	87	81	81	81	88	87	86	85
Metals.....	"	99	100	80	91	92	90	75	76	76	76
Other items.....	"	131	96	96	105	107	107	99	98	97	95
Monthly averages											
		1951	1952	1953	1952			1953			1954
					Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
BRITISH WHOLESALE PRICES											
Old series :											
All articles.....	1938 100	315.0	323.3	323.5	319.9	323.1	323.2	321.0	323.1	321.9	321.3
Food and tobacco.....	"	253.9	292.0	314.5	301.9	303.9	304.0	310.0	312.0	309.6	311.3
Materials used in :											
Non-food manufacturing.....	June 30, 1949 100	193.3	162.1	145.9	152.0	153.4	151.9	142.6	142.4	141.7	141.1
Mechanical engineering.....	"	134.3	149.9	145.7	147.8	148.9	148.6	144.9	147.3	147.6	147.1
Electrical machinery.....	"	151.9	165.4	155.2	161.8	162.7	162.2	155.2	157.0	157.3	156.3
Building and civil engineering.....	"	125.6	135.6	130.5	130.2	130.0	131.2	130.0	130.1	130.0	129.9
House building.....	"	123.0	130.6	128.7	128.6	128.3	129.0	128.2	128.4	128.4	128.4
Commodities :											
Cotton, raw.....	"	223.2	171.9	140.6	149.2	144.9	142.1	141.0	142.1	143.3	144.1
Wool, raw.....	"	252.3	147.9	171.1	155.9	160.9	161.1	174.6	173.0	167.0	163.6
Rubber, No. 1 RSS, one month future.....	"	499.1	282.8	199.1	238.7	264.4	215.2	171.3	167.3	173.1	167.5
Softwood, imported.....	"	143.5	158.0	144.1	151.5	151.5	151.7	137.8	138.7	138.9	140.5
Copper, ex-warehouse (2).....	"	187.5	220.7	217.6	242.6	242.6	242.6	204.1	205.6	199.6	195.1
UK RETAIL PRICES											
Interim index :											
All items.....	June 17, 1947 = 100	125	136	140	138	138	138	140	140	140	140
Food.....	Jan. 15, 1952 100	102.6	105.8	105.8	103.8	104.5	104.4	105.7	106.0	105.6	105.6
Food.....	"	105.4	111.3	107.9	109.3	109.3	109.2	110.6	110.9	109.6	110.4
All items.....	1938 100	202	221	228	223	225	225	227	228	227	221
Food.....	"	191	221	233	226	229	229	232	232	230	223
Rent and rates.....	"	119	122	129	124	124	124	131	131	131	131
Clothing.....	"	249	259	253	253	252	251	255	255	255	255
Fuel and light.....	"	177	197	207	201	203	203	207	213	214	211
Household durable goods.....	"	288	294	286	289	289	291	285	285	286	281
Drink.....	"	255	256	256	256	256	257	257	257	257	257
Tobacco.....	"	318	386	387	386	386	386	387	387	387	387
Purchasing power of £ (based on all consumer spending)											
.....	"	48	45	44	44	44	44	44	44	44	44
UK TERMS OF TRADE											
Import prices :											
All items.....	1952 = 100	103	100	88	94	93	93	87	86	85	85
Food, drink and tobacco.....	"	96	100	96	97	97	97	95	95	93	93
Raw materials.....	"	113	100	83	91	91	89	81	80	80	79
Export prices :											
All items.....	"	95	100	97	98	99	98	97	96	96	96
All manufactures.....	"	95	100	97	98	99	98	97	96	96	97
Metals and engineering goods.....	"	90	100	100	102	103	101	100	99	99	99
Textiles and clothing.....	"	112	100	93	91	91	91	94	94	95	95
Terms of trade :											
Ratio of import to export prices.....	"	108	100	91	96	94	95	90	90	89	89
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)											
.....	"	100.0	77.5	88.0	83.7	79.3	77.5	73.8	71.5	71.5	71.5
UK WAGES											
Weekly wage rates :											
All workers.....	June 30, 1947 = 100	120	130	136	134	134	134	137	137	138	138
Men.....	"	119	129	134	132	132	132	135	136	136	136
Women.....	"	123	133	140	137	138	138	142	143	143	143
Weekly earnings (2) :											
All workers.....	s. d.	141 1	151 11	160 14	...	...	...	160 14	...	...	...
Men.....	"	166 0	178 6	...	...	...	...	...	...	...	...
Women.....	"	90 1	96 4	...	...	...	...	...	...	...	...
1938 = 100											
All workers.....	1938 = 100	265	285	301	...	...	...	301	...	...	...
Men.....	"	241	259	...	...	...	...	...	...	...	...
Women.....	"	277	296	...	...	...	...	...	...	...	...

(1) 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. (2) Surveys made twice a year; annual figures relate to October survey. (3) Figures up to July, 1953, relate to delivery prices and subsequently to ex-warehouse prices of H.C. electrolytic copper. (4) Provisional.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1948 = 100)												
1938.....	118	82	77	90	193	132	76	101	89	81	67	64
1951.....	179	118	121	125	218	171	133	144	128	133	113	118
1952.....	181	114	117	131	231	170	124	147	130	133	110	133
1953.....	178	113	121	94	244	195	139*	136	142	137	109	...
August.....	197	117	130	124	265	207	...	167	153	149	115	...
September.....	...	118	128	124	270	223	...	180	162	148	121	...
October.....	...	...	128	129	282	229	...	...	152	152	121	...
November.....	...	...	...	...	...	...	...	...	...	...	...	...

VALUE OF EXTERNAL TRADE ⁽¹⁾												
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	1,107	10,056	...	121.52	1,317	...	...	...	...	...	680	...
1953	993	10,312	618	117.98	1,359	577.5	13.40	119.63	770	523	668	124.9
September	1,092	10,642	635	110.80	1,432	676.8	18.44	120.95	803	541	730	134.7
October	1,263	10,407	610	122.37	1,475	862.2	16.22	122.47	806	559	738	130.9
November	1,364	10,813	...	118.79	1,580	...	...	...	...	...	778	...
December												

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	9,363	...	117.24	1,542	...	...	...	...	...	637	...
1953	1,252	9,527	514	102.24	1,508	318.2	11.53	74.96	768	304	707	74.1
September	1,249	10,308	574	123.95	1,725	635.6	10.68	86.03	806	344	740	91.3
October	1,267	9,664	599	135.38	1,645	504.7	9.11	84.45	737	307	737	111.0
November	1,365	9,933	...	125.06	2,095	...	...	...	...	...	709	...
December												

Financial Statistics

EXCHEQUER RETURNS

For the week ended February 27th, there was an "above-line" surplus (after allowing for Sinking Funds) of £28,636,000 compared with a deficit of £37,898,000 in the previous week and a surplus of £25,908,000 in the corresponding period of last year bringing the cumulative surplus to £201,597,000 (£186,036,000 in 1952-53). Net expenditure "below-line" absorbed £16,899,000 which brought the total cumulative deficit to £175,196,000 (£330,735,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Feb. 28, 1953	April 1, 1953 to Feb. 27, 1954	Week to Feb. 28, 1953	Week to Feb. 27, 1954
Ord. Revenue					
Income Tax	1782,250	1539,586	1538,067	54,151	56,793
Surtax	127,000	113,700	113,800	4,200	4,500
Death Duties	160,000	137,550	148,900	3,400	3,600
Stamps	52,000	45,950	51,500	1,600	2,000
Profits Tax & E.P.T.	214,000	353,600	173,900	5,500	3,570
Excess Profits Levy	99,500	1,400	59,550	150	800
Special Contribution and other Inland Revenue	1,000	1,850	1,220	50	...
Total Inland Rev.	2435,750	2193,636	2086,937	69,051	71,193
Customs	1044,300	941,962	960,149	16,713	20,498
Excise	680,440	705,873	697,555	18,640	16,955
Total Customs and Excise	1724,740	1647,835	1657,644	35,353	37,453
Motor Duties	69,000	66,572	72,165	...	...
PO (net receipts)	2,685	5,900	5,900	...	...
Broadcast Licences	16,900	13,600	15,050	1,700	1,599
Sundry Loans	25,000	22,282	35,018	...	...
Miscellaneous	95,000	100,423	105,950	2,790	421
Total	4368,215	4044,348	3978,704	108,894	106,827
Ord. Expenditure					
Debt Interest	615,000	531,432	536,464	2,692	2,500
Payments to N. Ireland Exchequer	48,000	39,554	44,928	5,104	2,668
Other Cons. Fund	10,000	9,398	9,008	31	198
Supply Services	3586,286	3247,866	3156,852	76,609	72,286
Total	4259,286	3828,850	3747,251	82,706	77,652
Sinking Funds	...	29,462	29,856	280	540
"Above-line" Surplus or Deficit	186,036	201,597	25,908	28,636	...
"Below-line" Net Expenditure	516,771	376,793	8,409	16,499	...
Total Surplus of Deficit	330,735	175,196	17,499	11,737	...
Net Receipts from:					
Tax Reserve Certificates	68,719	38,934	6,220	6,094	...
Savings Certificates	14,800	16,110	1,400	600	...
Debt Bonds	49,940	34,794	1,155	145	...

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
Feb. 28	2,860-0	1,446-0	256-7	...	4,562-7
Nov. 28	4,620-5	...	254-0	...	4,875-1
Dec. 5	4,674-4	...	342-5	...	4,916-9
" 12	4,726-3	...	283-1	2-3	4,966-7
" 19	4,759-0	...	266-9	1-0	5,028-9
" 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	...	4,502-6
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

* 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 conditions eased markedly in Lombard Street in the week covered by Wednesday's Bank return. On the three days before the weekend credit was distinctly usable, but market supplies were just adequate for demands, and no official help was given. On Monday the repayment of the outstanding War Bonds and other Government disbursements created a superfluity of credit, and although outside loans were down to 1½ per cent there were sizable unlent balances at the close. The surplus of credit continued on the following days; on Tuesday some funds were actually being lent at 1 per cent.

Despite the prospect of idle funds in the ensuing week, the market maintained its bid at £99 9s. 8d. at last week's Treasury bill tender. The offer had been raised by £10 million to £250 million, but total applications increased by nearly £2 million to the record level of £400.8 million, so that the market's allotment rose only from 45 to 46 per cent. At yesterday's tender the offer was raised to £270 million.

The Bank return shows an efflux of notes of £8 million; the outflow since the end-January low point is now, at £20.7 million, some £5 million smaller than that experienced in the corresponding weeks of last year. Government securities in the banking department rose by £4.2 million, and "other securities rose on balance by £6.6 million. But as public accounts were up by over £11 million bankers' deposits fell by £7.4 million to £276.6 million.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	Discount Rates
3½	Bank bills: 60 days 2½
	3 months 2½
	4 months 2½
	6 months 2½
Deposit rates (max)	
1½	1½
1½	1½
1½	1½
Money Day-to-day	1½
Short periods	1½
Treas. bills 2 months	2½
3 months	2½
	2½

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot					
		Mar. 5	Feb. 25	Feb. 26	Feb. 27	Mar. 1	Mar. 2
United States \$	2-78 2-82	2-81 2-81 1/2	2-81 2-81 1/2	2-81 2-81 1/2	2-81 2-81 1/2	2-81 2-81 1/2	2-81 2-81 1/2
Canadian \$	2-71 2-71 1/2	2-71 2-71 1/2	2-71 2-71 1/2	2-71 2-71 1/2	2-71 2-71 1/2	2-71 2-71 1/2	2-71 2-71 1/2
French Fr.	972-65 947-35	982 982 1/2	982 982 1/2	982 982 1/2	982 982 1/2	982 982 1/2	982 982 1/2
Swiss Fr.	12-15 12-35 1/2	12-20 12-20 1/2	12-20 12-20 1/2	12-20 12-20 1/2	12-20 12-20 1/2	12-20 12-20 1/2	12-20 12-20 1/2
Belgian Fr.	134-95 111-05	139-75 139-85	139-75 139-85	139-75 139-85	139-75 139-85	139-75 139-85	139-75 139-85
Dutch Gld.	10-55 10-72	10-62 10-62 1/2	10-62 10-62 1/2	10-62 10-62 1/2	10-62 10-62 1/2	10-62 10-62 1/2	10-62 10-62 1/2
W. Ger. D.Mk.	11-67 11-81 1/2	11-70 11-70 1/2	11-70 11-70 1/2	11-70 11-70 1/2	11-70 11-70 1/2	11-70 11-70 1/2	11-70 11-70 1/2
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
Spanish Ptas.	16-37 14-59 1/2	14-52 14-53 1/2	14-52 14-53 1/2	14-52 14-53 1/2	14-52 14-53 1/2	14-52 14-53 1/2	14-52 14-53 1/2
Danish Kr.	19-19 19-48 1/2	19-39 19-39 1/2	19-39 19-39 1/2	19-39 19-39 1/2	19-39 19-39 1/2	19-39 19-39 1/2	19-39 19-39 1/2
Norwegian Kr.	19-85 20-15	20-00 20-00 1/2	20-00 20-00 1/2	20-00 20-00 1/2	20-00 20-00 1/2	20-00 20-00 1/2	20-00 20-00 1/2
One Month Forward Rates							
United States \$	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
Canadian \$	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
French Fr.	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
Swiss Fr.	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
Belgian Fr.	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
Dutch Gld.	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
W. Ger. D.Mk.	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
Swedish Kr.	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
Danish Kr.	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm
Norwegian Kr.	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm	1 1/2 pc. pm

BANK OF ENGLAND RETURNS

	£ million		
	1953 Mar. 4	1954 Feb. 24	1954 Mar. 3
Issue Department:			
Notes in circulation	1,474-7	1,547-9	1,555-8
Notes in banking dept.	25-7	27-5	19-8
Govt. debt and securities	1,496-8	1,571-8	1,571-7
Other securities	0-7	0-7	0-8
Gold coin and bullion	2-9	2-9	2-9
Banking Department:			
Deposits:			
Public accounts	22-7	10-9	22-1
Treasury special account	23-3	4-7	4-7
Bankers	269-2	284-0	276-8
Others	70-0	65-9	65-0
Total	385-2	365-5	368-4
Securities:			
Government	356-8	323-3	327-8
Discounts and advances	4-3	14-0	12-6
Other	15-2	16-8	24-9
Total	376-3	354-1	364-9
Banking department reserve	27-4	29-9	21-9
"Proportion"	7-1	8-1	5-9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,600 million to £1,575 million on January 27 1954.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment	Allotted at Max. Rate %
	Offered	Applied For	Allotted		
1953					
Feb. 27	230-0	314-4	230-0	48 0-25	66
Oct. 23	240-0	353-2	240-0	41 11-67	55
" 30	240-0	385-9	240-0	41 11-37	48
Nov. 6	220-0	392-5	220-0	41 10-62	34
" 13	230-0	372-9	230-0	41 11-48	46
" 20	230-0	374-5	230-0	41 10-92	43
" 27	240-0	368-4	240-0	41 11-45	50
Dec. 4	250-0	374-0	250-0	41 11-72	55
" 11	250-0	368-5	250-0	41 11-98	58
" 18	250-0	308-4	250-0	42 0-62	76
" 24	250-0	338-9	250-0	42 7-34	63
1954					
Jan. 1	250-0	316-6	250-0	42 8-29	75
" 8	230-0	319-3	230-0	42 7-90	64
" 15	220-0	335-5	220-0	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 3-58	45
" 26	250-0	400-8	250-0	41 3-37	46

* On February 26th tenders for 91 day bills at £99 9s. 8d. secured about 46 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.



1853

1953

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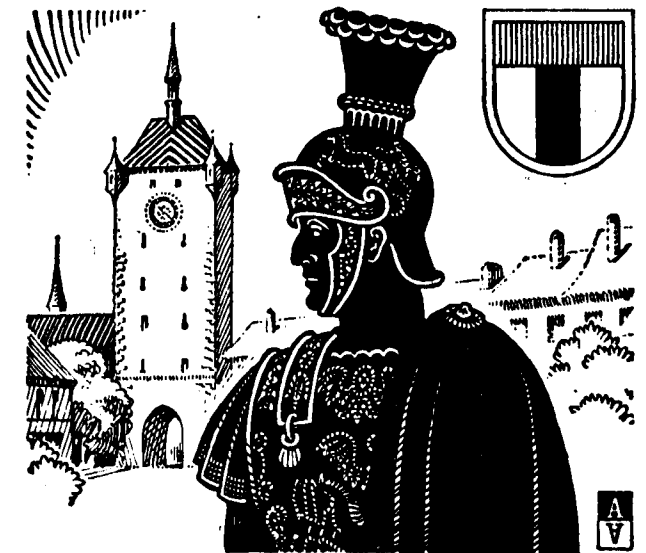
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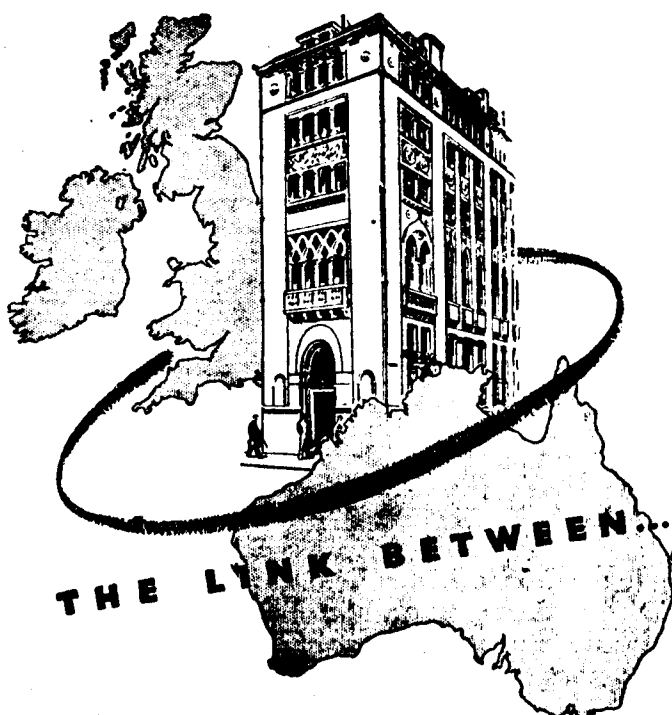
Capital, fully paid.....Swiss Francs 80,000,000

Reserves.....Swiss Francs 65,000,000

Total Assets.....Swiss Francs 2,082,406,130

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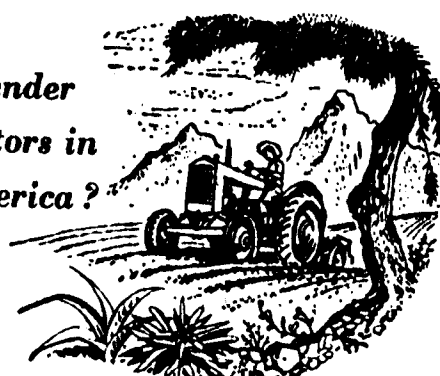
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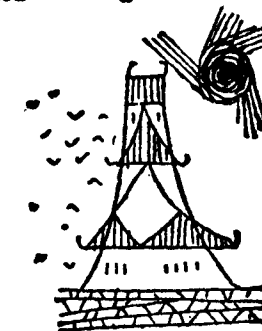
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BRITISH TIN INVESTMENT CORPORATION

REASONS FOR SHARP FALL IN PRICE

THE INDUSTRY IN MALAYA

MR S. H. SMITH'S STATEMENT

The ordinary general meeting of the British Tin Investment Corporation, Limited, will be held on March 24th at Winchester House, Old Broad Street, London, E.C.

The following is the statement of the chairman, Mr S. H. Smith, OBE, MC, which has been circulated with the report and accounts for the year to December 31, 1953:

In June last Mr E. V. Pearce, who desired relief from some of his responsibilities, resigned the chairmanship of this corporation and the directors appointed me to succeed him. Mr Pearce had been chairman of the corporation since 1940 when Mr Oliver Lyttelton resigned on appointment as President of the Board of Trade. Shareholders as well as the directors owe an immense debt of gratitude to Mr Pearce for his wise conduct of the affairs of the corporation throughout the difficult period of the war and the years of rehabilitation of the tin industry which followed. It must be a great satisfaction to shareholders, as it is to the directors, that Mr Pearce has agreed to continue to serve as a director so that we still have the full benefit of his unique experience, sound judgment, and abounding common-sense.

The profits (before tax) of the corporation for the year ended December 31, 1953, amounted to £541,643, a decrease of £58,520 on those of the previous year.

After making full provision for taxation amounting to £271,500 based on the profits for 1953, and crediting a sum of £90,580, being the balance of the Excess Profits Levy provision for 1952 which is no longer required, the net taxation charge in the accounts for the year is £180,920. There thus remains a balance after taxation of £360,723 which, with the balance of £93,452 brought forward from 1952, makes available £454,175.

The interim dividend of 7½ per cent and the special interim dividend of 7 per cent, paid less tax in August and October respectively, together absorb £167,881. Your directors now recommend the payment of a final dividend of 16 per cent, less tax, which will absorb £185,247, and that the balance of £101,047 should be carried forward. If these recommendations are approved by members at the annual general meeting on March 24, 1954, dividend warrants will be posted on March 26th.

EXCESS PROFITS LEVY

Shareholders will remember that under the Finance Act 1952 the corporation was, owing to its ownership of a small subsidiary finance company, not entitled to relief in respect of dividends from companies liable to excess profits levy when computing its own liability to the levy. Representations were made to the appropriate revenue authorities on behalf of the corporation pointing out that the effect of the Act of 1952 was to subject the corporation's income from such sources to double taxation.

This anomaly was rectified by the Finance Act 1953, under which proportionate relief was given retroactively from January 1, 1952, to a group such as ours, where one company is not an investment company but where substantially the whole of the functions of

the group consists in holding investments. In consequence, the corporation's liability in respect of the levy for 1952 was only £15,420, compared with the provision of £106,000 which had been made in our accounts at December 31, 1952. The balance of £90,580 mentioned above has been credited to profit and loss account in 1953, thereby reducing the net taxation charge in the year's accounts to £180,920. The provisions of the Finance Act 1953 enabled us to pay the special interim dividend of 7 per cent in October last which really came from the profits earned in 1952.

During the year the main changes in the corporation's investments have been the realisation of its shares in diamond producing companies and an increase in its investments in copper and oil companies. The usual list showing our principal investments in tin mining companies and in miscellaneous mining and oil companies is set out at the end of this statement.

PRICE OF TIN

The average price of cash standard tin during the year 1953 was £731 as compared with a price of £962 in 1952. One of the main features of the year was the very sharp fall in the price of tin in comparison with the relative steadiness of the price during 1952. During the spring and early summer the cash price fell from a high point of £985 on February 9th to £568 on July 30th. There has been a moderate rally and, for the moment at any rate, price conditions are more steady. The primary cause of the fall in price was the knowledge that at the end of 1953 or early in 1954 the fixed price contracts with certain countries for the purchase of tin for the US stockpile would cease. As is so often the case, the fall was accentuated, both in duration and extent, by a very drastic reduction in the demand for, as distinct from the consumption of, tin by the consumers, mainly those in the United States of America. Although the immediate outlook for the price of tin may be complicated by negotiations for the sale of tin in concentrates between the American Government and Indonesia, it is reasonable I think to say that the future course of the price must depend in a large degree on the ultimate results of the recent Tin Conference at Geneva.

This conference, as shareholders are aware, was held under the auspices of the United Nations and was attended by representatives of all the main producing countries and of most of the consuming countries. A draft agreement was drawn up which is now under consideration by the many governments concerned. These governments have to decide by June next whether or not they intend to ratify the draft agreement. It will, therefore, be several months before it is known whether sufficient ratifications are received to bring it into force. The agreement, which aims at enabling world production to be adjusted more nearly to world consumption and at a reasonable stability of price at a level which will give a fair return to producers and not inflict hardship on consumers, makes provision both for a reduction in output if supplies are excessive, and

for the formation of a buffer stock to take care of short-term fluctuations in demand.

POSITION IN MALAYA

The list of this corporation's principal holdings in tin-mining companies indicates that we are still deeply interested in Malaya. The political situation there continues to show improvement, but there is as yet no ground for complacency and he would be a bold man who would endeavour to name the day on which Malaya will be entirely free from political unrest. The conditions under which all those concerned with the winning of tin in Malaya are living and working are still grim and I would like to renew my predecessor's tributes to the fortitude and patience shown by them and their families during the past five years.

There are, I suggest, at least two ways by which the Government of Malaya could materially aid its tin industry at this difficult stage. First, it can evolve a clear and comprehensive land policy which will not only encourage prospecting for and development of new tin-bearing areas, but, what is equally important, will give to those who are prepared to risk the large sums required in prospecting an assurance that they will be given a mining title over any payable tin-bearing land which they prove, as was the former practice. There has been practically no prospecting for 20 years, during which time approximately one million tons of tin (metal) have been extracted, with the inevitable result that some mines are approaching exhaustion. It seems to me that prospecting for new areas ought to be actively encouraged. Political considerations, of themselves, would appear to make it essential to the future stability of Malaya that new areas should be opened up and in this connection it must be remembered that there is a very considerable time-lag between the proving of a new area and the date of its equipment for production.

TIN DUTY

Secondly, it is to be hoped that the Government of Malaya will reconsider and modify the present rate of the tin duty. This duty was fixed when there was no income tax in Malaya; it is levied whether the ore has been produced at a profit or at a loss, and, nowadays, it is in addition to and not instead of income tax. The duty seems to demand from the tin industry an undue share of the revenue required by the Malayan Government.

It is a platitude to say that Malayan tin is a strategic asset of prime importance and a magnificent earner of hard dollars, but it is a wasting asset and present policy is inducing some miners to work their best "patches" first, regardless of future outlook and sound mining practice. If new capital is to be attracted to Malaya, it will require to be given a reasonable prospect of a reasonable return upon money ventured in what must, by its nature, be an uncertain and somewhat hazardous business.

OTHER METALS

In view of the corporation's investments in non-ferrous metals other than tin, it may

be of interest to shareholders to know that the average price of lead during 1953 was £91, compared with the Ministry of Materials' selling price of £131 on the day before the London Metal Exchange Lead Market was reopened in 1952. Corresponding figures for zinc were £75 and £110. In the case of copper, the average London Metal Exchange price during the last five months of 1953, that is, from the opening of the London Metal Exchange Copper Market until the end of the year, was £231, as compared with the Ministry's price prior to the reopening of £252.

It is therefore clear that while the fall in price in the case of copper has so far been relatively small, the declines in lead and zinc have, in both cases, been substantial. I would like once again to emphasise that shares in tin-mining companies continue to constitute the predominant proportion of the corporation's total investments.

It follows from the above that it is to be anticipated that the dividends received by the corporation in 1954 cannot be expected to equal those received in the preceding year. I believe, however, that the long-term prospects are good. We have high hopes of some of our new investments. So far as tin is concerned, may I express the hope that every possible support will be given to the Tin Research Institute of the International Tin Research Council. With adequate backing the Institute may be able to make a vital contribution to the prosperity of the tin industry by discovering or devising new and better uses for tin in this metallic age.

LIST OF PRINCIPAL INVESTMENTS

TIN MINING COMPANIES

Amalgamated Tin Mines of Nigeria, Limited.
Ayer Hitam Tin Dredging, Limited.
Kamunting Tin Dredging, Limited.
London Tin Corporation, Limited.
Malayan Tin Dredging, Limited.
Pengkalan, Limited.
Petaling Tin, Limited.
Rahman Hydraulic Tin, Limited.
Southern Kinta Consolidated, Limited.
Southern Malayan Tin Dredging, Limited.
Southern Tronoh Tin Dredging, Limited.
Sungei Besi Mines, Limited.
Sungei Way Dredging, Limited.
Tronoh Mines, Limited.

MISCELLANEOUS MINING AND OIL COMPANIES

Aluminium, Limited.
Anglo-Iranian Oil Company, Limited.
Anglo-Newfoundland Development Company, Limited.
Associated Manganese Mines of South Africa, Limited.
British South Africa Company.
Consolidated Mining and Smelting Company of Canada, Limited.
Consolidated Zinc Corporation, Limited.
Conwest Exploration Company, Limited.
Hollinger Consolidated Gold Mines, Limited.
Hudson Bay Mining and Smelting Company, Limited.
Imperial Oil, Limited.
International Nickel Company of Canada, Limited.
Lake George Mining Corporation, Limited.
Messina (Transvaal) Development Company, Limited.
Mining Corporation of Canada, Limited.
Mount Morgan, Limited.
Nchanga Consolidated Copper Mines, Limited.
Noranda Mines, Limited.
Rhodesia Broken Hill Development Company, Limited.
Rhodesia Selection Trust, Limited.
Rhokana Corporation, Limited.
Roan Antelope Copper Mines, Limited.
San Francisco Mines of Mexico, Limited.
Shell Transport and Trading Company, Limited.

ARISTON GOLD MINES

MAJOR GENERAL W. W. RICHARDS'S REVIEW

The twenty-fourth annual general meeting of Ariston Gold Mines (1929) Limited, was held on March 1st in London.

Major General W. W. Richards, CB, CBE, MC, chairman of the company, who presided, in the course of his speech, said: Production returns for the four months of the current financial year show a revenue of £494,615 and a working profit of £162,609. We have just received a cable from Mr Frank Clelland, the general manager, reading as follows: "February output 32,500 tons; production approximately 10,900 ounces; working costs approximately £86,000. These figures not yet final." However, from these figures the February output is a record as regards both tonnage and gold recovered.

Regarding the new winder, manufacturers' deliveries have delayed shipments of final units, which, however, will be made in the course of the next few weeks, and so enable commencement of operation about August next, as mentioned in my review.

Some little time must elapse before the full capacity of the winder, namely 40,000 tons monthly, can be utilised. In the meantime, organisation of the underground stopping position is in an advanced stage and other important elements, such as power requirements, are in course of synchronisation, and will ensure smooth take-up of the progressive increased production.

The rate of dividend of 30 per cent (9d. per unit) has been maintained for 1953. Earliest possible consideration will be given to the declaration of an interim dividend on account of the current year.

DEVELOPMENT UNDERGROUND

No. 2 OREBODY: Included in the reserves is a block (No. 6 South) between the 19th and 22nd Levels south of the central shaft of about 100,000 tons of ore of an average value of 6.0 dwt over 109 inches. Development on the 16th and 18th Levels is being carried out, and should reach the position of this block about September next. We have hopes that this work will disclose a substantial increase in the known tonnage in this section of the mine.

NORTH OREBODY: Reef exposed in this orebody on the 20th Level showed an average value of 10 dwt over 126 inches for a distance of 662 feet. On the 24th Level the reef extends over 1,500 feet of an average value of 6.8 dwt over 106 inches.

Work is proceeding to open up the orebody on the lower levels, and it is obvious that the reef so far disclosed lends every encouragement to exploration at depth.

EFFICIENCY AND LABOUR

Mr Frank Clelland, General Manager, writes as follows:

"With an assured supply of waste for stope fill now available, increasing attention has been paid these last months to improving drilling and breaking efficiency in stopes.

"Much remains to be done with regard to the setting up of properly worked out bonus incentives coupled with labour control, but steady progress is being made.

"There are now good grounds for belief that the present labour force is, at least, adequate for our purposes. The labour position is quiet."

Mr Clelland also reports that successful efforts have been made in controlling the general level of cost of living, thus contributing to the maintenance of goodwill and contentment amongst our African labour force. The report was adopted.

BOWMAKER LIMITED

CONTINUED PROGRESS

The twenty-sixth annual general meeting of Bowmaker Limited was held on March 4th at Bournemouth, Mr E. R. Bardsley (the chairman) presiding.

The following is an extract from his circulated statement:

Your company has succeeded in building up its group free reserves from their former modest proportions to the more imposing and satisfactory level of a figure exceeding £500,000. Your directors have, therefore, felt fully justified in recommending an increase of 5 per cent in the final dividend to make 15 per cent for the year and in addition a bonus of 2½ per cent.

All sections of our activities operated satisfactorily during the year.

IMPORTANT ROLE OF HIRE PURCHASE

I cannot escape from the conviction that there is a lack of appreciation in official quarters of the important part which hire purchase has come to play in our economic system. There is still a strong tendency to identify it only with the sale of domestic consumer goods and as an inflationary method of living beyond one's means. Hire purchase is, in effect, a credit system and no more inflationary in use than any other form of credit. In any economic conditions, credit has an essential part to play. We live on our exports, but economic exports depend upon a buoyant home market in which facilities such as we provide must play an increasingly important part.

I am able once again to repeat my confidence in the company's ability to maintain its strength and progress.

H. M. HOBSON

GROUP'S CONTINUED EXPANSION

The eighteenth annual general meeting of H. M. Hobson Limited was held on March 2nd in London.

Mr S. W. Hughes (chairman) presided and in the course of his speech said: I think the most important point of my speech today is that we are able to place before you a balance sheet of such exceptional financial strength added to which we have the knowledge that the time and money we have spent in research and development work over the past years is now beginning to bear fruit and we are able to look forward to the future with confident anticipation of still further expansion.

The group profit for the year amounted to £380,054. Taxation absorbs £250,200.

The consolidated net profit, after taxation, is £129,854, compared with £72,622.

To bring the capital permanently employed more into line with the issued share capital, the shareholders will be asked to approve the capitalisation of £300,000 of reserves by the application of that sum in paying up in full 1,200,000 shares of 5s. each for distribution in the proportion of one new share for each share already held.

We look forward with confidence to the future as, although the demand for our products for piston engines is affected by the adoption of the jet engine, we still retain a goodly volume of business in both new carburettors and spares for aircraft engines, and our new products in the aircraft world and in the field of guided weapons have created very great interest and substantial orders have already been placed.

The report was adopted and the dividend of 17½ per cent and bonus of 2½ per cent, less tax, were approved.

ABBEY NATIONAL BUILDING SOCIETY

SIR HAROLD BELLMAN'S SPEECH

The annual meeting of the Abbey National Building Society was held on February 26th at the Wigmore Hall, Wigmore Street, London, W.1.

Sir Harold Bellman, DL, JP, LLD, chairman of the Society, in moving the adoption of the report and accounts, said:

There has been remarkable progress in all departments and we can look back upon a year's endeavour which will doubtless give satisfaction to all our members.

The expansion in our total assets is perhaps the most striking index of our progress during 1953. These expanded from £153,974,000 to £181,183,000, an outstanding measure of growth in a single year. At the same time, our advances on mortgage to assist home ownership throughout Great Britain and Northern Ireland amounted in 1953 to the new record figure of £38,362,000, compared with £30,039,000 in 1952. The fullest regard has been paid to the security aspect in all these advances.

At December 31st, our cash and investments totalled no less than £23,478,000, as against £19,410,000 a year ago. All this should bring reassurance to our great body of investing members. They should derive further confidence from our reserves and carry forward, the total of which stands at £7,740,000.

During the year the Society's receipts upon investment share accounts amounted to no less than £35,435,000, while withdrawals in the year were below the average. The sums placed upon deposit in 1953 totalled £7,413,000. This is impressive evidence of the Society's standing and the special position it occupies in the confidence of the investing public.

The wider diffusion of the nation's wealth produces a wider range of people with a greater capacity for saving. At the same time the financial circumstances of the period predispose many other investors to continue the same type of investment.

The requirements of this large public are precisely those which the characteristic features of an Abbey National investment fulfil—i.e. security of the capital sum invested; freedom from complications, costs and charges; immunity from capital depreciation; convenient facilities for withdrawal, and an adequate return of interest, with income tax paid by the society. These are, in brief, I believe, the considerations which make a strong appeal to the investing public and account for the record result in the past year.

During the year our interest rates, including those paid on deposit and share accounts and those charged to borrowers, have remained unchanged.

GENERAL HOUSING POSITION

Turning to the general housing position, this has notably improved during the past year, chiefly because of the increasing proportion of new houses now being built for sale. This progress is cordially welcomed by the Society for the relief it brings to the large number of prospective purchasers. The number of houses being built for sale, however, is still inadequate and we must hope that the supply of labour and material will continue to improve so that output may be further increased. Costs in respect of new construction are still high. They will not, I fear, show any substantial decline, unless and until the private enterprise builder of houses is enabled to return to large-scale develop-

ment and with a measure of competition to act as a spur. The full economies of production are not attainable unless output by individual builders can reach the level where an efficient flow of production is achieved. The land problem may in some cases be a limiting factor in the scale of development, but it is to be hoped that private enterprise will not suffer from any tendency on the part of public authorities to monopolise the most suitable land.

There is no doubt that there is a large public willing to undertake ownership. With many, however, difficulty arises from the size of the normal initial deposit required. Ways and means should be found to assist such people where it is appropriate that they should be encouraged to assume the responsibilities of home ownership. Reference has already been made to this matter in the national press and it is therefore betraying no confidence to say that the possibilities of a significant development are receiving careful consideration.

In my view, it is appropriate that the State should be prepared to give a guarantee, in conjunction with local authorities, to enable building societies in suitable cases to make an advance for house purchase in excess of normal, thereby reducing the amount of the initial deposit required from the purchaser. In this way, many who now feel debarred from home ownership should find themselves more happily placed. I earnestly hope that whatever obstacles are encountered will prove not insurmountable.

The technique of granting advances in excess of normal supported by guarantees is by no means new, and with careful administration should prove of inestimable advantage to many would-be home owners. Public funds would not be exposed to serious risk and the sums likely to be involved would represent but a fraction of the saving in subsidies. I hope that it will be possible to evolve a satisfactory and workable scheme.

In a year of such growth as the Abbey National showed in 1953, there are many debts to acknowledge for devoted services. My friend, the deputy chairman, Mr Stanley Ramsey, and all our colleagues on the board desire to pay a tribute to the officers and staff. The managing director, Sir Bruce Wycherley, has, during a year which has been memorable from several standpoints, necessarily assumed added responsibilities and has been called upon to lead his team so that they give of their best under exacting conditions. The results for 1953 reflect their praiseworthy achievement. The joint general managers and secretary have responded to all the calls that have been made upon them, whilst members of the staff of all grades have given most loyal and able support.

MR STANLEY RAMSEY'S SPEECH

Mr Stanley C. Ramsey, FRIBA, deputy chairman, in seconding the adoption of the report and accounts, said:

The year 1953 has witnessed a remarkable change in the realm of housing. The Government is to be congratulated on having achieved (and indeed exceeded) its target figure of 300,000 houses, including houses for letting as well as for sale. In providing large numbers of houses for letting they were following out the policy of the late Government, although this does not in any way detract from what has been accomplished.

Probably what is more remarkable is the number of houses put up by the private

house-builder. The decision to do away with the development charge, with all the uncertainty and frustration which it entailed, is, in my opinion, one of the decisive factors in bringing about the increased number of such houses built and being built during the year we are considering.

If it were wise to do away with that part of the Town and Country Planning Act, 1947, relating to development charges, it was no less wise to retain the system of controls. We have had since the war so much in the way of control, that to many the word has become anathema. However, to use a homely adage, "the proof of the pudding is in the eating," and there is no question, in the view of a competent and unprejudiced observer, that these postwar houses compare more than favourably with those built between the two world wars.

They are better planned, of a more pleasing appearance, as well constructed and, above all, the grouping or site planning is immeasurably superior. The credit for this happy state of affairs must in the first place go to the planning authorities, either county or local, and to the tact and vigilance of their executive officers. But at the back of all this is a long history of effort by the architectural profession, the Council of Registered House Builders and the Building Societies Association. It is a story, too little known as yet, which must be told in detail some day, but meantime we can wholeheartedly welcome the higher standards of private enterprise postwar housing to which I have referred.

Building societies cannot be indifferent to housing standards as, all things being equal, the better the house the better the security.

The report and accounts were adopted.

The Society's auditors, Mr Harold Lakeman, FCA; Mr R. T. Walters, TD, MA, FCA; and Mr A. W. White, FCA, were re-elected. Mr William Cash, MA, FCA; Mr H. L. Roy Matthews, CBE, FAI; and the Right Hon Sir Geoffrey Shakespeare, Bt, MA, LLB, were duly re-elected to the board.

SIR BRUCE WYCHERLEY'S REMARKS

Sir Bruce Wycherley, MC, FCIS, managing director of the Society, said:

As managing director, in daily touch with the staff, I am perhaps in the best position to judge what a splendid effort they have made. Such progress as that shown in the report before you today is not automatic; it has to be planned and worked for at every stage.

It is only just to remark also that our progress has been achieved on the most economical basis. Our staff is substantially the same as it was a year ago, and our management expenses, on a proportionate basis, show yet again a downward trend. I doubt if there is any organisation, rendering comparable services, at once so economically and efficiently managed as a building society such as the Abbey National.

One point, however, I should like to emphasise in conclusion. As you have been reminded on previous occasions, we do not seek expansion for its own sake. Our aim is to expand our service on a sound basis in response to public requirements. If we aimed at less, we should be unenterprising; if we aimed at more, we should be imprudent. I am sure you can trust us to be both enterprising and prudent.

ILFORD LIMITED

(Manufacturers of Photographic Materials)

PROPOSED SCRIP ISSUE

NEED FOR COSTS TO REMAIN COMPETITIVE

SERIOUS EFFECT OF PURCHASE TAX ON THE INDUSTRY

HON JAMES P. PHILIPPS REVIEWS YEAR'S ACHIEVEMENTS

The annual general meeting of Ilford Limited will be held on March 24th at the Ilford Gallery, 106-107 High Holborn, London, W.C.

The following is the address by the chairman, the Hon James P. Philipps, copies of which have been circulated for the convenience of shareholders with the report and accounts for the year ended October 31, 1953:

Ladies and gentlemen, although you will have seen in the notice convening the meeting that this is the fifty-seventh annual general meeting of Ilford Limited, this year we actually celebrate the seventy-fifth anniversary of the founding of our business by Mr A. H. Harman who, under the name of Britannia Works Company, started making sensitised photographic plates at Roden Street, Ilford, on the site of our present plate factory and head office in 1879.

The company's present name of Ilford Limited was adopted in 1900, but the name Britannia Works Company Limited has been continued by another company which at the present time is actively and successfully trading as one of our subsidiaries.

RECORD TURNOVER

I am very pleased to say that we have been able to expand our business still further during the year under review and turnover increased in almost all sections. It is particularly satisfactory that we have effected this in spite of increased competition. The excellent quality of our products has helped us considerably in the competitive conditions prevailing now that practically all brands have become freely available and the customer can exercise his choice.

During the past year our costs remained fairly stable and prices showed a tendency to decline. I hope that we are not going to see during 1954 a new round of cost inflation of the type which has become familiar in postwar years. Under present competitive conditions such a cost inflation would have serious effects on the export business of the company and on the economic position of the country.

CAPITALISATION

If you turn to the consolidated balance sheet you will see that the issued Ordinary capital of the company is only £2,266,666, whilst the Ordinary shareholders' funds actually employed in the business now exceed £6 million. Your board feel that this is an appropriate time to take a further step in their policy of bringing the two more into line. They are, therefore, recommending first, that the authorised Ordinary capital should be increased to £3,500,000. Secondly, that the capital reserves, consisting of £1,613,383, standing to the credit of the share premium account together with £106,663 being the amount of the excess profits tax postwar refund so far received and expended, and the sum of £865,287 reserved for replacement of fixed assets be capitalised and utilised to pay up in full 4,533,332 new Ordinary shares of 5s. each.

Thirdly, that these new fully paid shares should then be issued free to Ordinary shareholders who are on the register at the close of business on March 25, 1954, in the proportion of one new share for each two shares held. The Capital Issues Committee have agreed to these proposals, and an Extraordinary General Meeting is being convened to consider them immediately after the conclusion of the Annual General Meeting.

TAXATION

I hope you have found that the accounts are clearly set out and easily understandable, but there are just one or two points to which I should like to draw your attention. In the first place you will doubtless have noticed in the Ilford Limited profit and loss account that an amount is included this year for excess profits levy in a total provision for taxation of £882,527, which is an increase of £204,863 over last year's figure.

Secondly, I feel sure you will agree that the company's balance sheet shows a strong financial position. Current assets amount to £5,276,003, and after making provision for the recommended Ordinary dividend there is an excess of current assets over current liabilities of £3,415,204 compared with £3,092,836 last year.

This increase in the net current assets together with the increase in fixed assets are the result of the policy of your Board of ploughing back a substantial proportion of the profit after taxation and maintaining a considerable degree of liquidity in the company's financial resources consistent with the progressive growth of its business. This satisfactory position is also apparent from the consolidated balance sheet.

FILM BASE

The Bexford film base plant has continued to operate in a satisfactory manner and during the year we used British-made base for a high proportion of our sensitised film, thus effecting useful savings of hard currency.

DEVELOPERS—PHENIDONE

I mentioned last year that we had pioneered a new developing agent under the name "Phenidone," and that I considered there was a possibility that it might displace the long-established Metol.

As the result of a further twelve months' experience we have come to believe that Phenidone can in time replace Metol entirely. Extensive trials indicate that it is more efficient, less toxic and more economical. Phenidone is at present being manufactured in England and under licence from us in the USA, and arrangements are being made for its manufacture in other countries.

Phenidone, like the older developer, Metol, is normally used in conjunction with Hydroquinone. We have in the past found difficulty in obtaining Hydroquinone in this country in the quantities we required. We have, therefore, jointly with the Geigy organisation established a company to manufacture Hydroquinone, and we are now

independent of outside suppliers for this important chemical. I think this new plant will put us in a much stronger position to develop our business in photographic chemicals.

Also with the object of increasing our trade in photographic chemicals our subsidiary, Britannia Works Company Limited, acquired during the year an old-established business engaged in the manufacture of hypo and similar sulphur-based compounds important in photography. The operation of this plant during the nine months we have owned it has proved satisfactory.

NEW PLANT

Twelve months ago I foretold that the new film coating plant which had just come into production would end the shortage of X-ray film in this country and the Commonwealth. This forecast proved correct, and during 1953 Ilford X-ray film was more or less freely available. The demand for our films of all kinds has, however, continued to increase, and it seems probable that we shall still be able to sell without difficulty the total output of our plant when, as a result of our policy of modernisation, further additional capacity becomes available in the very near future.

COLOUR FILMS

We have recently introduced a service for making colour prints from our well-known Ilford colour film transparencies. Although print production has so far only been on a modest scale, it is being steadily expanded. The prints are excellent and have been well received by customers.

These Ilford colour prints are being made available at the reasonable price of 2s. 6d. per print in postcard size, and so offer much better value than the imported product available up to now.

Ilford colour film is at present only available for the 35 millimetre type of miniature camera. In due course, we also hope to produce a roll film to yield both colour transparencies and prints.

AUSTRALIA

Three years ago we formed a subsidiary company in Australia to consolidate our interests in that country. Mr T. M. Illingworth, our deputy-chairman and joint managing director, has recently visited Australia, and reports that there are good prospects of expanding our business there.

FOREIGN COMPETITION

As a large part of our business is in export markets it is of great importance to us that our costs should remain competitive. Up to the present we have been able to meet foreign competition in price and in quality, but a comparatively small increase in our costs could weaken our position. While we can to some extent control costs in our own factories by paying attention to means of avoiding waste and increasing efficiency, we can be seriously affected by factors beyond our control, such as the increases in the cost of

fuel and transport recently announced, which will affect all industry. It still does not seem to be as widely realised as it should be that an increase in costs of production this coming year can have a crucial effect on the level of employment in the next few years.

PURCHASE TAX

The Chancellor's recent statement on purchase tax can only be described as most disappointing. Last year I told you that our industry carried a special burden in the high rate of this tax and that strong representations were then being made to the fiscal authorities for a drastic reduction of the 66½ per cent tax.

In the event, as you know, purchase tax was in general reduced by 25 per cent in the last Budget so that our own industry is still subject to a rate which is higher than applies in competitive fields of enterprise. Even though the tax is lower than it was a year ago, its effect on our industry remains serious.

Before concluding, I should like to thank, on your behalf, all our staff, both at home and overseas, for their loyal co-operation and for the great part they have played in the achievement of the past year.

THE OMNIUM INVESTMENT COMPANY

RECORD INCOME AND DIVIDEND

The sixty-seventh annual general meeting of The Omnium Investment Company, Limited, was held on February 25th in London.

Mr Patrick L. Fleming (managing director), who presided, said: In the absence of the chairman, it has fallen to me to offer a few observations on the state of the company's affairs, a task which is made easier by the fact that the accounts now before you show a record income and enable us to recommend a dividend of 10 per cent, which is as high as any in the sixty-seven years of the company's life. Whether we can improve on that depends, of course, on how long we have to wait for a real reduction in taxation, without which the dividend we receive from industry, on which the main burden of taxation rests, will begin to go down; for which reason we have, over the past few years, been increasing our proportion of fixed interest securities and investments overseas.

It has been the traditional function of investment trusts, while keeping much of their money in companies which have stood the test of time and the shares of which are easily realisable, to devote a fair proportion of their funds to new and untried enterprises which involve a knowledge, an experience, risk and a delay such as to make them unsuitable for the investing public. This business of pioneer investment is not without its disappointments, but it is largely due to the heaven of those which have proved successful that the value of an investment in our deferred stock, and the dividend paid thereon, have each doubled since the war.

The report and accounts were adopted.

THE EASTERN BANK LIMITED

THE TRANSFER BOOKS and Register of Members will be CLOSED from March 23rd to April 6, 1954, both days inclusive.

By Order of the Board,

C. L. MANNING, Secretary.
2 and 3 Crosby Square, London, E.C.3. March 3, 1954.

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SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The one hundred and twenty-third meeting was held on March 4th in Edinburgh, Mr R. Ian Marshall, CA, chairman of the board of directors, in the chair.

Mr Marshall, in the course of his remarks, said:

The accounts before you cover the first year of a new quinquennium and a very satisfactory year it has been. Net new sums assured for 1953 amounted to £4,504,428 showing a substantial improvement over the previous year's figure of £4,048,541 and creating a record.

If you will look at the life assurance fund revenue account you will see that there has been an advance of about £234,000 in our premium income making a total of more than one and a half million pounds.

I would like to say a few words about the increase of about £150,000 in the "Consideration for annuities"—that is in the total purchase money paid to the society in the year. In October last the society's rates for annuities were reviewed and new rates were adopted on a basis which has proved attractive to purchasers. This change quickly resulted in many more enquiries and in an increase in the volume of annuity business written during the remainder of the year.

The figure for interest income in the account represents a gross rate of £5 8s. per cent per annum, the net rate being £4 5s. per cent, both calculated on the life assurance fund.

The sums paid out during the year in respect of policies becoming claims by death amounted to £291,017.

Expenses of management are about £13,000 less than in 1952 in which year, however, there were special outlays which have not recurred; if we leave out of account these special items we find that the cost of conducting the business was much the same as in the previous year.

The increase in commission paid to agents is of course related to the increase in the new business.

The result of the year's operations is that the life assurance fund has been increased by very nearly one million pounds. The largest comparable figure for a previous year was £639,375 in 1952.

BALANCE SHEET

Turning now to the balance sheet, I should mention an increase of about £216,000 in sums held on deposit. This increase is accounted for by the deposit with the society of £220,000 by the trustees to the staff pension fund. Amongst the alterations in the assets there are, in round figures, increases of £190,000 in mortgages, £300,000 in British Government securities, £140,000 in foreign government securities and £130,000 in debentures and debenture

stocks. The increase in foreign government securities arises from a short dated investment in the United States of America. The upward swing in Stock Exchange prices has resulted in a substantial increase compared with last year in the margin between the balance sheet values and the market values of our Stock Exchange securities.

The adoption of the report and accounts was carried unanimously.

LEICESTER PERMANENT BUILDING SOCIETY

YEAR OF PROGRESS

The one hundred and first annual general meeting of the Leicester Permanent Building Society was held on March 1st in Leicester. Mr A. D. Carmichael, CBE, the chairman, presided, and in the course of his speech said:

The following are some of the outstanding results of the past year:

New monies invested with the Society, together with borrowers' repayments, amounted to £10,846,670.

Withdrawals, including capital and interest, were £3,683,912.

RECORD ADVANCES

Advances made on mortgage reached a record sum of £6,420,018.

The total assets of the Society at December 31, 1953, were £31,284,602 and showed an increase over the previous year of £2,847,300.

Reserves reached £2,537,244, representing 8.11 per cent of the total assets.

The market value of trustee securities was £112,966 in excess of the book value at December 31, 1953.

Liquid funds totalled £3,771,527.

INVESTMENT ATTRACTION

New investments flowed into the Society to the extent of £5,746,670 during the year, influenced no doubt by the attractive rates of interest paid, by the ease of investment or withdrawal without cost, and by the safety of the investment itself.

There is little doubt, too, that the slight easement in personal taxation and the stability of price levels over the last year, have made saving more worth while, and all helped to encourage people to save for the future.

The profit and loss appropriation account shows a total available of £843,921. From this sum £590,517 was paid out to the shareholders; £36,160 allocated to the staff pension fund; £100,000 to the general reserve, and £30,000 to contingency reserve, leaving a satisfactory balance of £87,244 to be carried forward.

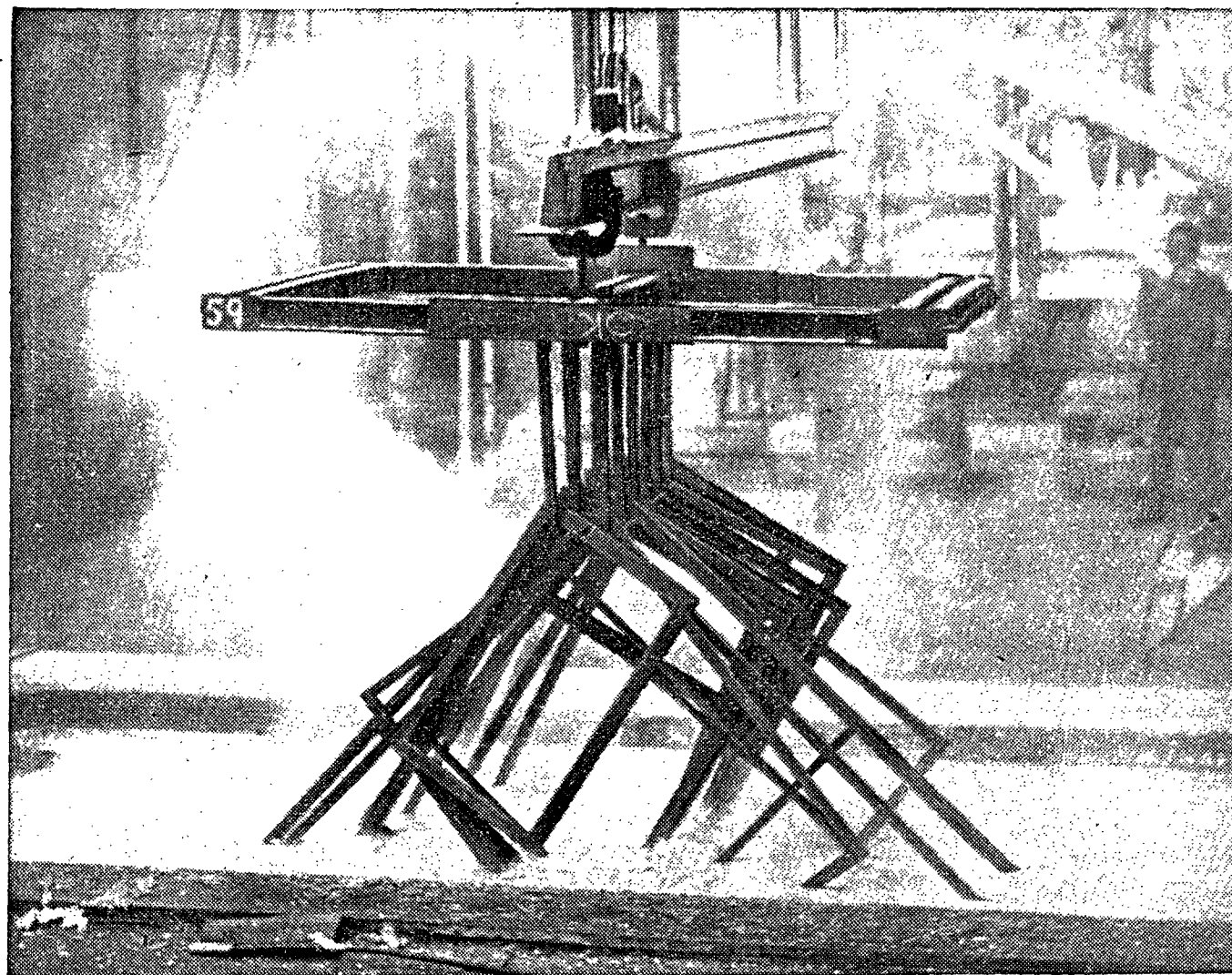
The report and accounts were unanimously adopted.

BUSINESS PROMOTERS

Patent holders of manufacturing process, offering franchise to central organisation with empire-wide connections, wish to contact well-established promoters to handle negotiations with suitable firms in U.K.—Box 484.

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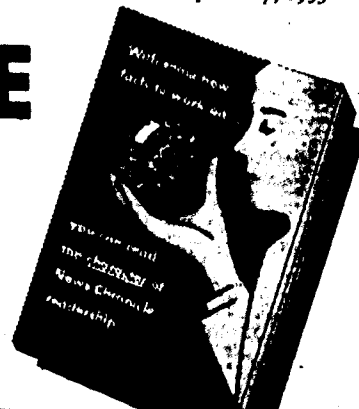
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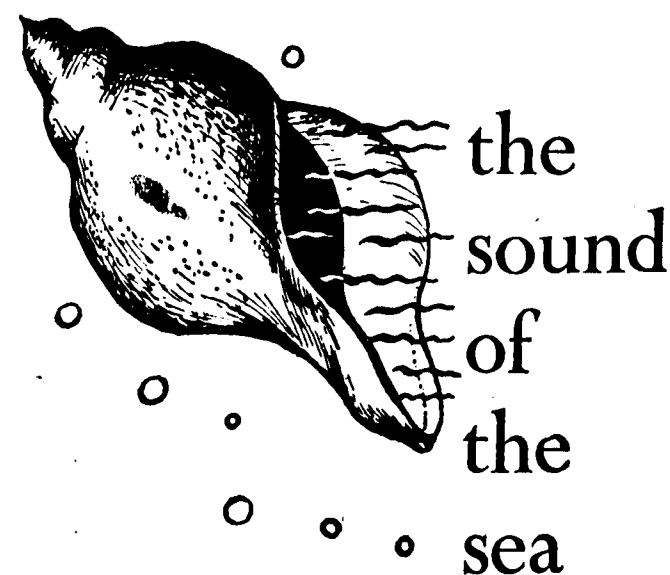


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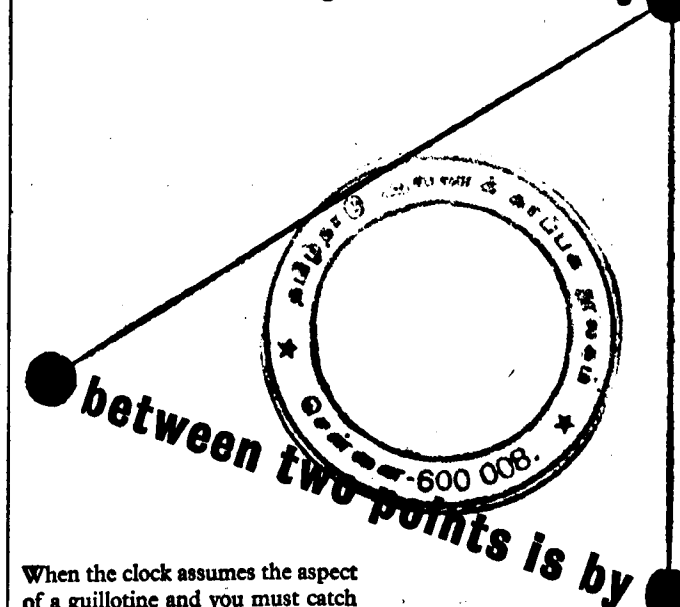
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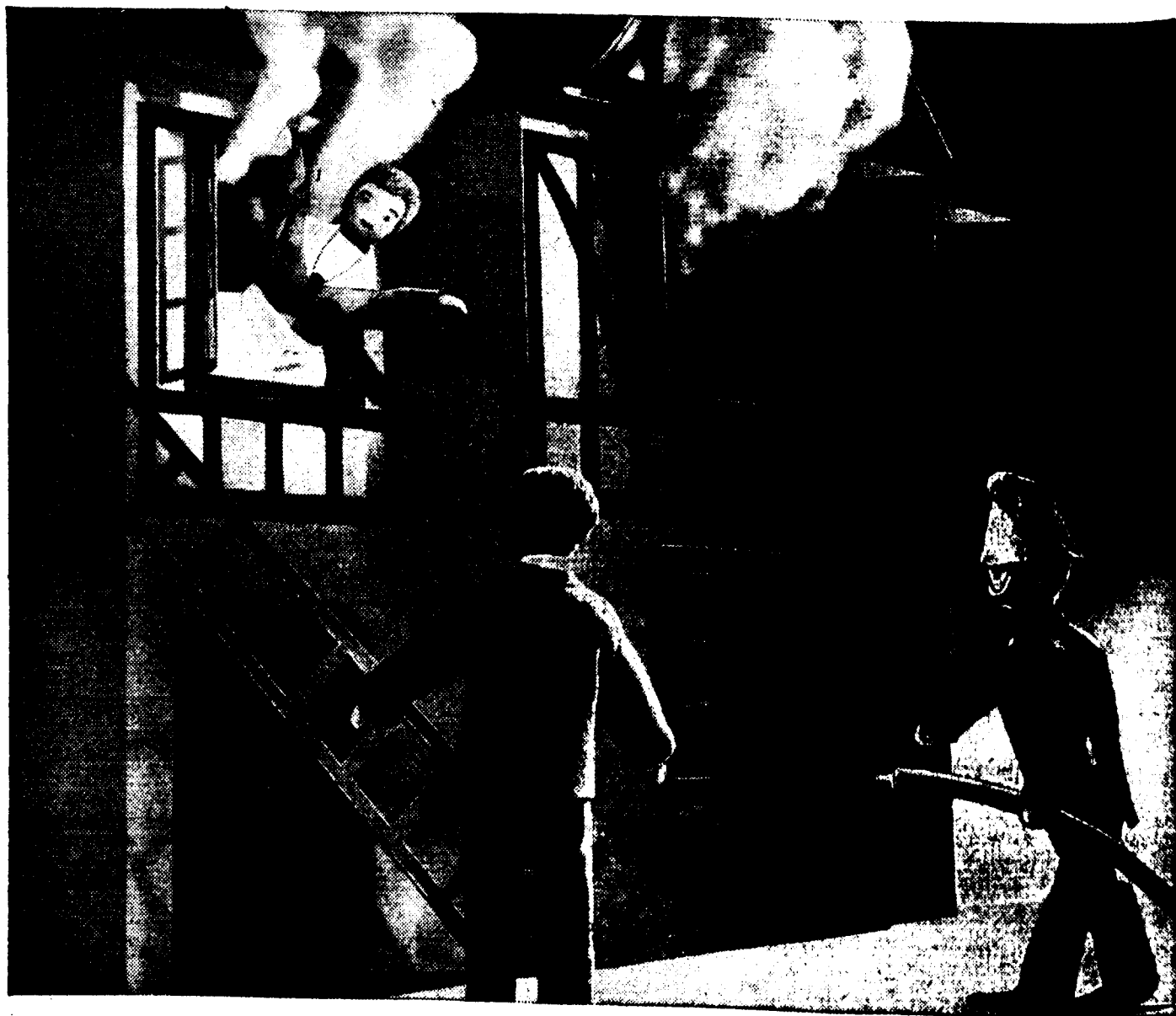


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MARCH 13, 1954

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Risks in Germany

THOSE who have chosen this particular moment to stir up bitter memories and suspicions against the policy of German rearmament in a European Defence Community presumably know what they are doing. In six weeks' time, the Great Powers confront one another in Geneva to discuss, among other things, France's problem in Indo-China. Some say that nothing should be done during these six weeks to irritate Mr Molotov, lest he should do less than he otherwise might do to assist negotiations for ending a war in which his ally China is assisting France's enemy, the Vietminh, with weapons and supplies. Others say that there can be no horse-trading of concessions in Europe and concessions in Asia, and that the western powers should go ahead with their policy for Europe and Germany as planned. In other words, some want to put off until after Geneva the great debate in the French Assembly which could lead to ratification of the EDC Treaty; others want to get on with it so that the West's hand is strengthened by holding the EDC card which Mr Molotov seemed most anxious to trump in Berlin. Those who would procrastinate are having their hands strengthened by the emotional attacks on German rearmament that are being conducted in this country and elsewhere.

In this campaign political opportunism, malice and ignorance appear as no less important elements than the genuine fear of what a future German government and army might do with the power of arms. But it is, unfortunately, only the ignorance that is vulnerable to argument. There appears to be widespread misunderstanding of two vital factors in western policy for Germany which Mr Molotov, for his own purposes, has vigorously encouraged. First, there is the failure to see that the defence community is a great political experiment in damping down and extinguishing the Franco-German feud, and in building a viable and strong Western Europe. Secondly, there is failure or refusal to admit the power and range of the restrictions that are accepted by Germany, and its fellow-members, by joining this community. Only detailed study of the indigestible and complicated treaty reveals the shape of the harness that has been designed for the European divisions; an article elsewhere in this issue presents in question and answer form what the safeguards and undertakings of the Treaty really are. To say flatly that German rearmament is in no circumstances acceptable is to ignore the three years' work done together by French, German and other European soldiers and officials to change the whole character of national defence organisations in order to meet Germany's problem.

What precisely are the risks? There are two good reasons why they should be faced and discussed frankly by those who support the EDC. One is that a powerful body of opinion in Europe is asking that the treaty be made less supra-national, less binding and less onerous for France. That would mean increasing the risks and modifying the political revolution that the EDC would bring about. Another is that failure to ratify the treaty would encourage some Americans to demand

that German rearmament should take place in an alternative form, without the restraints and safeguards that Dr Adenauer and the German parliament have accepted. Indeed, perhaps the worst offence of those who campaign in passion against German rearmament is their refusal to admit that many of those who support it, both in Germany or outside, are as eager as anyone to ensure that parliamentary democracy in the Federal Republic shall not again fall under military or extremist direction. It is no exaggeration to say that if the EDC project collapses, German moderate opinion will turn against rearmament and the whole European policy of Dr Adenauer will be discredited, perhaps beyond repair. German nationalists will be able to return to the theme of Hitler: that French obstinacy and Russian mischiefmaking leave Germany no choice but to follow its own course with all the strength it can muster.

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The opponents of German rearmament raise a series of objections. They say, first, that Germany will dominate the defence community by its energy, industrial power and military prowess. That is obviously true—unless the French put their own potentially rich economy in order, unless the British exert the full influence that their association with the EDC will give them, and unless the United States continues to play in the Atlantic alliance the role that would enable Nato to remain military master of the EDC. These conditions are even more important than the political checks and balances embodied in the Treaty.

Then, they say, Western Germany, having been rearmed, might leave the community. It would be difficult—but not impossible—for German divisions, dependent on European supplies and equipment, simply to walk out of their corps and army groups. But any attempt to do so would be treated by France, Britain and the United States as a threat to their own security. A Tripartite Declaration to that effect exists. It is said that this is no more foolproof than the Locarno Treaty that Hitler broke by marching into the Rhineland in 1936. That is true; what was lacking in 1936 was not the right kind of treaty, but Anglo-French willpower to enforce it, and American interest in seeing it enforced.

It is argued, too, that if German unity were brought about, an all-German government would be free to leave the EDC. That is true, as the western foreign ministers pointed out to Mr Molotov in Berlin. There is good reason for hoping that a government created by free elections throughout Germany would throw in its lot with the West. Mr Molotov clearly believes it would, at any rate in the immediate future.

Then there is another group of arguments that vary the theme: "We cannot trust the Germans." Dr Adenauer, it is said, will not always be at the helm of the German state. There are still nationalists, mischief-makers, unrepentant Nazis, militarists out for jobs, and

refugees yearning for return to their old homes in the east. That is all true, and nobody knows it better than Dr Adenauer and the moderates who support his European policy. They would answer—and so would the Frenchmen who built up the EDC Treaty—that the defence community would make things much more difficult for such elements. Deception and disloyalty of the kind practised by von Seeckt and others would not be easy in an international staff, continually mixed up in the affairs of several nations, exchanging secret papers, and exposed to the supervision of a Council of Ministers and an assembly of watchful politicians. It is admitted that there might be danger in the early stages from senior officers who have known nothing but the nationalist outlook of the old Wehrmacht; but they would be confronted after three or four years with a corps of young officers, trained in European military schools and staff colleges, looking to the European Commissioners for prospects and promotion.

Finally, there is the fear that a rearmed Germany, even in EDC, would drag its associates into war to regain the eastern territories or to liberate Eastern Germany. No one denies that a revision of the Oder-Neisse line will be an object of German foreign policy; nor would everyone deny that it is an ultimate object of western foreign policy to see the Red Army retire behind the frontiers of the Soviet Union. The question is whether there is more risk of this problem leading to war when Germany is in the EDC than if Germany were out of it. And would any German government of the future risk a war that would certainly be fought on German soil? Analogies with the past break down on two new facts: the presence of a powerful Soviet system on the eastern frontier of Germany and the involvement of the United States in Europe's affairs.

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These risks, it is true, cannot be entirely dismissed even with such arguments; what is important is that the argument about German rearmament should be conducted honestly and with full knowledge of the facts. And of those facts there is one of outstanding importance that is consistently ignored. It is that the Bonn Conventions between the Federal Republic and Britain, France and the United States—which are tied up inextricably with the EDC Treaty—are explicitly designed to assist the development of parliamentary government among the Germans. They state the right of allied forces to remain in Germany as defence forces when occupation is legally at an end. They concede their right to help a German Chancellor to protect the constitution against extremist coups or subversion from inside. They entitle the western allies to declare, in certain circumstances, a state of emergency to protect the security of their troops. In brief, it is part of the EDC-Bonn Conventions bargain that a friendly and moderate government in Bonn will have powerful friends at hand to assist it against Hitlers or Ulbrichts

of the future. That such safeguards should exist is remarkable; that a German government should have accepted them is even more remarkable. Dr Adenauer has invited confidence by showing confidence.

It is, however, one thing to advocate the quickest possible ratification by France of the EDC Treaty and the agreements with Germany, but quite another thing to insist that the defence community and its forces should be created in a tearing hurry. It is here that the pressures on Mr Dulles seem to threaten some danger. If this political and military experiment is to take root it must not be hurried. There must be time for experiment and compromise, for personalities to learn to work together, for immense administrative problems to be examined and solved. American policy could wreck the EDC, on which it sets so much store, by forcing it into premature responsibilities. The need for 45 European divisions is less urgent than it was; it is not even certain that General Gruenther and his staff want

Television Aunt

THE Television Bill has been published, and the battle about it can now go forward, free of the previous minor encumbrance that nobody has known exactly what he was battling about. Unfortunately, both sides seem to have decided that the lifting of this veil should not make any difference. For the opponents of commercial television have become so emotional that they are still furiously fighting a battle that they have already won, and the Government is so sensitive about its resort to yet another compromise that it does not like to admit the full extent of its retreat. The public is therefore being left with the impression that the new Television Bill differs only slightly from the proposals put forward in the Government's white paper last November, and that it still bears some resemblance to the proposals that were being hatched a year or eighteen months ago. Both impressions are quite wrong.

The whole principle of last November's white paper was that the new Independent Television Authority, which is to be set up in the image of the BBC, should own and operate the transmitting stations, but that it should not produce any programmes itself. The ITA was to draw the whole of its income from—and all the programmes were to be produced by—the private enterprise "programme contractors" who would hire its facilities; and these contractors would draw their own revenue wholly from advertisements. Under such a scheme the contractors would inevitably try to produce the sorts of programme that advertisers wanted, although under the watchful eye of the body that is surely destined to be known as the Independent Television Aunt.

The new Bill drops two bombs on this structure. The first is that the ITA is to have greater supervisory

so many. There is nothing sacrosanct about the figures of 14 French and 12 German divisions around which controversy has ranged.

What is important is that the defence community should be efficiently and amicably created; not that it should stamp out of the ground an international army. If it is to be given time to breathe and grow—if it is, indeed, to have a real chance of being created at all—there must be no more talk of reducing American and British forces in Europe so that Germans can take their place. The United States and Britain have staked everything on the policy embodied in the existing network of treaties; and they have a clear moral obligation to go on providing the shield of strength behind which the policy can be carried out. To regard the EDC as merely a contrivance for rearming Germans and reducing American and British forces on the Continent would be a great betrayal of the only constructive political idea that offers itself to the younger generation of Europeans.

powers than anybody had expected. The Bill lays them down with prim determination. Advertisements will have to be clearly distinguishable from each entertainment, and inserted only at the beginning or end of programmes or else in natural breaks; there can therefore be no association between a particular performer and a particular product—Gilbert Harding can appear only as Gilbert Harding, and not as an advertisement for dyspepsia pills. The ITA is also to have stern powers to regulate the amount of time taken up by advertisements, to vet scripts, 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. It will be able to fine a contractor £500 if he breaks any of these rules, and to withdraw his licence after three fineable transgressions. Most of these powers had been foreshadowed in some degree in the white paper, but in the agonising interval of indecision each of them has been given considerable additional edge. The contractors cannot now possibly be said to be sallying insouciantly into a field in which big businesses can indulge a sly liking for blue politics and bluer jokes; instead they will be operating in perpetual fear for their livelihoods.

The second innovation in the Bill is that the ITA is to receive an independent income of £750,000 a year from viewers' licence fees, and will produce some programmes itself; moreover—and this may be an important pointer to the future—it can receive direct fees for advertisements included in its own programmes. This welcome decision has been greeted by the flourishing of some extraordinary red herrings by opponents of the scheme, with triumphant cries of stinking fish. The line chosen in the past week has been

that this declaration of partial independence for the ITA means that viewers will now be paying for advertisements, and that the two to three million pounds a year that may be paid by the advertisers themselves will do nothing to save viewers from the burden of additional licence fees. This, of course, is deliberate nonsense; no abstruse calculations about the ITA's proposed £750,000 a year from licence fees, about its proposed £2 million of borrowing powers in the next five years, and about the mulcting of all licence fees for the equivalent of entertainments tax (with the glib assumption that the whole of this money would otherwise have gone to the BBC instead of ITA), can really make two plus two equal minus five.

Behind these misrepresentations—and others of longer standing but no greater worth—there have always been three genuine objections to the system of advertisers' choice. It is these genuine objections that need to be studied afresh in the light of the new Bill. First, some people in the Labour party have been honestly afraid that the sort of programmes advertisers will want will be programmes in which jokes against Socialism are regarded as rather funny and jokes against Sir Winston Churchill as rather bad taste; one uneasy memory here is that the funniest joke the BBC ever allowed against the Labour Party was when it put a certain Labour ex-Minister on one of its strictly balanced political panels, an action that some Tory-minded directors might be anxious to repeat and that no paper constitution could ban.

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After reading the new Bill, however, these fears must surely be dissipated. It is a safe guess that the ITA, which has been born under a parliamentary cloud, is going to be even more eager to prove its lack of political bias—and of political ideas—than the BBC has been; and the programme contractors, whose livelihood the ITA can cut off at a whimper, are likely to be much more frightened of authority than individual BBC producers are. The recipe is for even greater political flatulence in the commercial programme than in the public service programme. This carries its own dangers for democracy, but they are dangers very different from those that the Labour Party has hitherto assumed.

The second objection to commercial television has come from the sponsors of culture, the sort of people who even now think before they might look—and then generally decide not to. They have feared that advertisers would debase public taste, and to this has been attached the inevitable sneer that all programmes would be "brought down to the American level." This view is usually based on an entirely estimable ignorance of the service that television at present provides. Nine-tenths of the programmes on BBC television have always been programmes that could equally appear on American screens; indeed many of them—including some of the best thought-out—have been borrowed or bought from America directly. This has been a natural development. America has been the great forcing house of television,

filling many more screen hours than Britain could ever afford. In consequence, the worst of American television has always tended to be worse than the worst of British television; while the best of American television has been promptly imitated here, although often not done so well. Once or twice a month the BBC has also put on an experimental programme, such as the present project for an opera in modern dress or the documentary programmes in which certain British producers have evolved an admirable technique; with its independent revenue from licence fees there is no reason why the ITA should not blaze at least as ambitiously—and sometimes as inanely—along the same trail.

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There remains the third objection which has been levelled against the proposals in last November's white paper. This objection was that the scheme would prove financially insolvent. This danger must have been intensified by the stern restrictions to be imposed under the new Bill. In its last financial year the BBC seems to have spent about £10,000 a day, or £2,000 an hour, (including overheads) on its television programmes. The money that ITA will get from licence fees will be the equivalent of rather more than £2,000 a day. On this basis advertisement revenue would have to produce about £8,000 a day; assuming six minutes of advertising to each hour of viewing, and five hours viewing a day, this would suggest that the contractors will have to find, day in and day out, advertisers willing to pay fees not far short of £300 a minute.

Yet the commercial programmes will cover only just over half the country, and within this area not all viewers will pay to have their sets adapted—certainly not at once. The potential contractors and the advertising agents point out that total advertising expenditure in Britain is now over £500,000 a day, and claim that the excitement of the new medium will be sufficient to tap the necessary drop of water from this pool. They may be right: but optimism in entertainment is always being cheated, as the history of British films should show.

The fairest conclusion must be that if the scheme proves financially viable it can do no great harm; while if it quickly becomes insolvent, it may do a great deal of good. In such an eventuality the ITA would almost certainly tend to produce more programmes itself. To do this, it would have to reach out for a larger share of licence revenue; and the compensation provided to the BBC would then very probably take the form of permitting it to receive advertisements itself. The country would then have two independent television authorities, competing with each other both in popular appeal and for the attraction of public regard; this system would clearly be preferable to the present slightly enervating BBC monopoly. Those who believe that the Government's compromise solution will work should not shy from it; while those who believe that it will not work should vote for it more enthusiastically still.

The Danger From Djakarta

WHILE the prospects of war and peace in Indo-China hit the headlines, news of a different sort comes from Indonesia. The gulf between theory and practice has seldom been better illustrated than by the Indonesian Finance Minister's statement at the end of February on his country's need of foreign capital. Taken at its face value, this new outline of policy represents a reasoned—in some ways an imaginative—attempt to state and reconcile the interests of the foreign investor and the ardent nationalist. It lays down a number of principles which recognise the existence of a problem, even if they stand perhaps only a small chance of coaxing the capricious foreigner to open his purse strings. In a world where competition for capital is increasing, this is most welcome. But seldom have a politician's utterances fallen on deafer ears than on those of the foreign community in Djakarta.

Why should this be? What has been offered, and why has the gift been so cynically examined? The Indonesian government begins by laying down three conditions for foreign investment, with which there can be little serious disagreement in principle. The risk "shall lie with the owner of the capital"; the investment "shall be in conjunction with Indonesian nationals" and "in concert with the government or government(al) organs." The government then goes on to put its finger on one of the most important aspects of the whole question. "To promote this," it recognises, "a state of security is of the utmost importance." It adds that foreign nationals employed in Indonesia must be allowed to transmit part—though it does not say what part—of their income to their country of origin; that foreign enterprises must be permitted "to transfer profits, after tax... to the country from which the capital emanates"; that the return of the entire capital must be allowed "after it has been used in Indonesia for a reasonable number of years"; that, while "in general the government is more favourably disposed to industrial projects, rather than commercial, communications or banking enterprises," exceptions may be made in special cases, and there must in any case be "co-operation between foreign capital and the government." Then, as if to show how inexplicably wayward the foreign capitalist may yet be, the statement adds that, if he is still not sufficiently

attracted, "the risk will (in certain circumstances) be taken by the government"; "in this connection, capital can be obtained on loan at a fixed rate of interest and the enterprise will still be able to share in the profits."

What could be fairer than that? India was the first of the new governments in Asia to reverse its hostile attitude to foreign capital—though there has since been some backsliding—and now the Indonesians, like the Burmese, have begun to change their theories. The trouble is that it is not so easy to change their practice. Whereas in Delhi a stable and fairly determined government has been able to adopt a realistic policy and stick to it, in Rangoon and Djakarta somewhat different conditions have prevailed. And while the main difficulty in Burma now appears to be the country's slow return to a state of normal security, in Indonesia the Finance Minister's hands are tied by conditions inside the administration as well as outside it.

Pleas for foreign capital and promises to treat it fairly have a hollow ring when they come from a weak government largely dominated by men notorious for their anti-foreign and, in some cases, anti-western attitude. Many of them, in spite of this latest pronouncement, are still pressing for more employment of Indonesians in foreign firms, when that policy

has already been pushed beyond the bounds of common sense. Again, in spite of the promises of fair treatment to individuals, the entry even of key foreigners is obstructed by a mass of regulations which ignorant officials use like bludgeons.

There has always been widespread sympathy in the West for Indonesia's difficulties, ever since the struggle which led to independence in 1949; but the interests neither of Indonesia nor of its friends are served by glossing over the facts of life in that country. The picture they present, four years after the achievement of independence, is confused and somewhat threatening. The government's authority is being increasingly undermined by the continued unwillingness of politicians to bury their differences and by the head-in-the-clouds attitude of the main political parties. On the floor of parliament, happily insulated from the realities of life outside, Indonesia's leaders have lately battled through yet another phase of the army command intrigue. When not so engaged, the minds of many of them seem to run



on questions like the break-up of the Indonesian-Dutch union or the return of Irian (West New Guinea). Scarcely a word is said about living standards and productivity, about housing, communications, security, food supplies, transport, federalism—or the innumerable other practical problems which need to be tackled.

Meanwhile, in several important respects, there is a disturbing drift. With the fall in the price of rubber and other commodities, Indonesia's foreign trade balance has sharply deteriorated. In public affairs, there is too often creeping apathy, a sense of frustration, a growing corruption, and limitless red tape in the simplest matters of administration. And all the time the Communists, through the main trade union organisation, are consolidating their hold on a lazy and turbulent urban proletariat, at a rate which suggests that they may soon attempt a major attack on the government.

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These are some of the reasons why, in present circumstances, the recent invitation to foreign capital is hardly likely to succeed. In fact, the government is neither willing nor able to provide the security which it recognises as essential if new investment is to be encouraged. But this is not Indonesia's tragedy alone. It is characteristic of many other countries where nationalism has got out of control during the past few years, and in South East Asia it represents a special danger. For Indonesia is by far the biggest of the South East Asian states; its population exceeds that of Indo-China, Siam, Burma and Malaya combined. And although the struggle in Indo-China has reached a critical stage, a Communist success in Indonesia, on the back doorstep

Open Prisons—II.

Convicts in Comfort?

ALTHOUGH the twelve open prisons in camps and country houses in Britain have not let loose a flood of dangerous escaping prisoners, and although they have saved the taxpayer money because they are so cheap to build, many people are still instinctively opposed to them. There is a dark suspicion in some minds that the wicked flourish there like green bay trees. This causes uneasiness on grounds that are partly rational and partly mystical. Common sense demands that prison should be sufficiently unpleasant to discourage crime. But quite apart from this rational demand for deterrence is the primitive demand for retribution—the widespread feeling that prisoners ought to suffer because sins must be paid for and that society ought to take the revenge that it rightly denies to the private individual.

The first sight of an open prison would not seem to promise either deterrence or retribution. The new

of the continent, could in the long run have almost equally important results.

Asians sometimes protest that the West attaches altogether too much importance to Communism. What matters to us, they say, is our freedom to choose what suits us best; and in Indonesia intelligent leaders deny that they are ever likely to choose a totalitarian system. In assessing Communist chances, therefore, it is fair to draw one sharp distinction: while the atmosphere in Djakarta and some of the larger towns is one of insidious and depressing decay, the countryside presents a much more heartening picture. The fact that the Communists are unpopular with the mass of the people must depress the party, if it is to apply Mao Tse-tung's precept that revolutions in Asia must be based on the peasants, not the townsmen. District residents and local government officials are doing good work, despite difficulty and hindrance. The smallholder and farmer, both in Java and among the vigorous people of the Outer Islands, still show the patience and steadiness on which the new nation was first built. Although in some places life and property are still unsafe, many of the rural areas are flourishing and happy.

The danger, however, is that the wide influence of events in the capital will infect the rest of the state. The voice of the rural districts is weak, and they are unfairly represented in the nominated parliament. It is in the interest of all who are concerned with South East Asia that the long-postponed elections should now be held in Indonesia within a reasonable period, possibly later this year. Until the development of democracy is carried a stage further, there can be little chance either that the country will attain stability or that the invitation to foreign capital can be taken seriously. Elections may not solve the problem, but it is now becoming clearer that without them there is danger ahead for everyone.

women's prison at Hill Hall, Essex, is housed in a magnificent Elizabethan manor, picked up for a song. The neat dormitories at Askham Grange remind one of a girls' public school, except that they are brighter and gayer; the women have been allowed to bleach and redye the institutional green curtains and distemper the once mustard-coloured walls. Falfield prison for men is the former home of an earl, a pile of nineteenth-century Gothic, complete with oak panelling, bad sculpture and rare trees; once it had "Welcome" carved over the gate, but the Prison Commissioners, with tactful realism, had this erased. There are no mailbags in these prisons. The men work on the land, or do a full day in an industrial shop; at Leyhill, for example, they work at printing, tailoring, woodworking, and boot-making. The women do laundry, sewing, cleaning and tend the grounds and chickens.

At the end of the day the open prison turns itself

into an evening institute. Attendance at classes is not in theory compulsory—except for illiterates—but the inmates know that they will make a poor impression if they stay away; and most of them like the classes, for they can study all sorts of pleasant subjects, from musical appreciation to basket work. Leyhill, whose students are in residence for at least three years, has to provide really advanced classes. Bristol University has been called on to teach philosophy there. The average level of education and intelligence among the prisoners at Leyhill is rather above the average in the world outside; it has more than its share of able professional people who have slipped into perpetrating ingenious large-scale frauds. At least one man has taken an external degree at Leyhill; and less academic prisoners can take the City and Guilds examination in various crafts, gaining certificates which make no mention of the technical school they attended. Often, therefore, the ex-prisoner emerges with hobbies and interests that he never had before, and better equipped to earn a living.

That prisoners should gain in any way other than morally may seem to be a denial of the principle that crime must not pay. But this is really rather a silly argument. If a man has learnt a trade he is less likely to live by dishonesty. The "total consequences of being found out"—loss of freedom, disgrace and deprivation, and not least the difficulty of facing the world again afterwards—will always ensure that any prison, even an open prison, is a grim place. To the already degraded, admittedly, such things may not matter; but it cannot be held against open prisons that they encourage the type of man who likes to winter in his favourite gaol, simply because that type is not sent there. For those who still have some self-respect, care must be taken to raise rather than lower it, and to avoid sharpening their hostility to society.

The statistics, for what they are worth, are on the reformers' side. Nine-tenths of those released from open prisons have not got into trouble again, compared with four-fifths of first offenders in prisons of all kinds. Admittedly, this is not conclusive evidence because the open prisons start with the advantage of better material; but it does reinforce a general impression in the prison service that reformation is more likely to be achieved in open conditions. The fair question, therefore, is not whether the experiment should be trimmed, but whether it cannot be extended.

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The crucial point here, as an article last week argued, is that to admit less reliable types of prisoner to open camps might shake the public's tenuous confidence and thereby endanger the whole system. Obviously, too, prisoners in need of constant hospital or psychological treatment must be sent where this is available—and it cannot be provided in open camps. But it may well be worth considering whether the system should be

extended among three special groups of prisoners. First, most of those who have been convicted of violence and of sex crimes other than incest are at present automatically excluded. The only open prisons that take such offenders are Leyhill and the satellite camps of Maidstone and Wakefield—and then only after prolonged observation in closed prisons. A prisoner whose crime of sex or violence was not grave enough to earn him a sentence of more than a year must therefore serve all his time behind bars. Yet those, for example, who had used violence only when they were drunk might be a good risk during their enforced sobriety. So too might some of the homosexuals; those of the passive variety would possibly be a demoralising influence in a dormitory, and those who are a menace to children must be kept out of harm's way, but is it necessary to exclude them all?

Secondly, "ordinary" prisoners—that is those who have been in prison before—are still usually detained in gaols, unless there is a satellite camp nearby; yet many of the so-called "trainable ordinaries" can make quite civilised members of open prisons. The experience of Maidstone's satellite camp strongly supports this view; about half its inmates are usually selected "ordinaries" or corrective trainees, but the experiment has worked well.

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Finally, most women prisoners might seem to be obvious candidates for open prisons, since there is little or no danger to the neighbours if they escape; unfortunately, however, although the general run of British women are apparently angels compared with the general run of British men (there are only 900 women in prison compared with 19,000 men) those who are not angels are often spitfires. Some women criminals are subject to outbreaks of rage and hysteria to which the only answer is the prison cell, and not all of those who behave reasonably can be relied on not to escape. Women are more likely than men to feel the pull of emotional ties—to take a trip, say, to visit a sick child, or to see what the old man is up to. The possibilities of an extension of open prisons are probably greater among men.

The official view is that no such extension, even among men, is possible—perhaps because the Prison Commission feels that it cannot afford to run too far ahead of public opinion; in pushing the system as far as it has done already, it has laid itself open to periodical attacks by the popular press that the gaols are "too cushy." It would be a healthy development if public opinion could move on a little, to a stage where the Prison Commission would be struggling to keep up with it. But first it must drop the demand for retribution and see the purpose of prison as being simply, in the words of the Prison Rules of 1949, to establish in prisoners "the will to lead a good and useful life on discharge and to fit them to do so."

Notes of the Week

Struggle after Berlin

BOTH here and in some German quarters, the Berlin conference is being called a sham fight, because, it is said, neither side really wanted to reunite Germany. This view presupposes that Mr Eden, if he had genuinely wanted to end the division of Germany, would have offered terms that Mr Molotov could have accepted; in other words, if he had really meant to win, he would have lain down on the floor to be counted out at the start. It ignores the fact that anything less than the conditions which Mr Eden put would have eventually given all Germany to Mr Molotov. What was done in Berlin was to try to secure the whole of Germany for the west, or, alternatively, to keep the Federal Republic intact. It is true that some people, both in Germany and France, would have been nervous if the first effort had succeeded; but that does not mean that it was never made.

It is now evident that the fight will go on, and that it is still anything but a sham. The Soviet ambassador in Berlin, Mr Semeonov, has rejected a proposal made by the western high commissioners, that they should discuss ways of removing interzonal restrictions. Mr Semeonov had repeated Mr Molotov's demand that the East and West German governments should form committees to settle questions of travel, trade, "culture" and other affairs. The Soviet aim, it is clear, is to secure recognition of their puppet government by these means. Little by little, the committees, if they were formed, might develop into that unelected all-German "government" which Mr Molotov tried so hard to induce the western ministers to accept in Berlin.

A similar bait for reuniting Berlin has been held out by the Communists in the east of the city. And so it will go on. The price of life with Mr Molotov is eternal vigilance. Having failed to liberate even the Potsdamer Platz, the western governments must now be on guard to maintain the ground they hold.

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Some West German political leaders have been making efforts to prevent the public from settling down to the thought that their country is divided for the indefinite future. Herr Kaiser, the Minister for All-German Affairs, wants the Germans to bring pressure to bear on the occupation powers, and has even broadcast an appeal for a "popular movement" for unity. He is appalled by the indifference and selfishness of the west Germans, and fears the despair of the inhabitants of the Soviet zone. Herr Kaiser has often been out of step with Dr Adenauer, and his appeal could hardly have been made at a worse moment, before the Chancellor had his conciliatory and reassuring

talk with M. Bidault in Paris. Fortunately, there is no likelihood at the moment of popular demonstrations taking shape.

In the meantime, the *Bundestag* has approved a proposal by Herr Oberlaender, Minister for Refugee Affairs, that everyone in the Federal Republic should contribute a day's wages for Germans in the Soviet zone, and the Social Democrats are debating how to raise the standard of living in the Soviet zone. They have the idea that reunion may come step by step, if contacts are strengthened, and conditions equalised on either side of the Elbe. This is a patriotic motive, but it contains a germ of danger. If the west Germans make no political demands, at the same time as giving economic aid to the Soviet zone, Mr Molotov's joint committees may one day be in operation.

Legislation in a Hurry

WITH the publication of the Television Bill the Government has now brought out all the eighteen measures foreshadowed in the Queen's Speech last autumn. In addition, another two dozen routine or minor Bills have been published since the session began; and, altogether, thirty-two Bills have been given a second reading. This is commendable speed, and an extraordinary contrast with the fumbling pace of the Conservatives' legislative programme in their first months in office.

But progress is not being achieved without strain. Faced with a constant threat of paralysis on the floor of the House, Ministers are at last making proper use of standing committees. As is the way with belated converts, their enthusiasm has become almost excessive. In the mornings, four or more standing committees are at work, and the committee on the Rents Bill is working in the afternoon. Added to the normal work of the full House this imposes a physical strain on the members concerned (fifty in each committee), and it handicaps those with non-Parliamentary jobs. Conservative members are particularly hard-hit; with Government majorities of only one in the committees, they have to be in strict attendance. Despite this stern discipline, the Government has none too much time if it is to complete its ambitious programme before the end of July. The inevitable unexpected Bills, such as that on civil servants' pensions, are appearing; and some of those originally planned, and which no doubt looked innocent enough on paper, have proved embarrassments when brought into daylight. The Teachers' Superannuation Bill and the Industrial Organisation and Development Bill have both had to be sent on indefinite leave.

As the session proceeds Ministers will have to rely increasingly on the Opposition remaining reasonably placid. Labour leaders appreciate this, and they are frantically seizing on all possible (and some impossible) issues which might be controversial. In an effort to vamp up some enthusiasm they have even fallen back on the old dodge of forecasting an autumn election. Much can go wrong with the Government's hopes in the coming months, but if Ministers can keep politics as dull as they are now an early election must be the last thing in their mind.

A Chance for Kenya?

POLITELY but firmly, Mr Lyttelton has put his foot down in Kenya. As was expected, his talks with political leaders on the spot have resulted in important constitutional changes; as was widely hoped, these changes will bring new blood into the government—not only from the European population, but from the Asians and Africans as well. This development is to be welcomed. The bickerings and frustrations of the last few months have given a clear warning that the days of rule by officials were numbered, and that rule by officials and European settlers alone must never be allowed to begin.

An unfortunate, though perhaps inevitable, feature of the new structure is the proliferation of councils now to be set up. At the summit will stand a body to be called the "War Council" (the first admission, incidentally, from official sources that a war is going on in Kenya). This body will consist of the Governor, his deputy, the Commander-in-Chief, and one unofficial member (who will presumably be the moderate settlers' leader Mr Michael Blundell). It will deal with the direction of emergency operations—more energetically, one hopes, than the present rather bumbling "emergency committee." Next will come the Council of Ministers—"the principal instrument of government," according to Mr Lyttelton. It will consist of 8 officials, 6 unofficial members (3 Europeans, 2 Asians and one African) and 2 nominated members: it is an unwieldy looking body, but one on which the unofficial members will have to carry the full weight of ministerial responsibility. The African, for instance, will be Minister for Community Development. Below this an enlarged Executive Council will remain in being, though it is hard to see what functions it can usefully fulfil; possibly its principal advantage is that it will give positions of prestige to two more Africans and to one of the neglected Arab community. At the base will be the Legislative Council, whose composition will not be altered. Somewhere—on a flank—are to be three to five Under-Secretaries, two of whom will be Africans and one an Arab. These are political appointments, but their holders, for the time being, will not necessarily be—though they may be—members of the legislative or executive councils.

The importance of the changes (which do not, of course, please everybody) is not to be gauged by technicalities. Some of them are evidently designed to provide a training ground in the responsibilities of government. But an immediate and important gain is that the leaders of the different racial groups have had their heads firmly knocked together; although the Governor retains all his ultimate

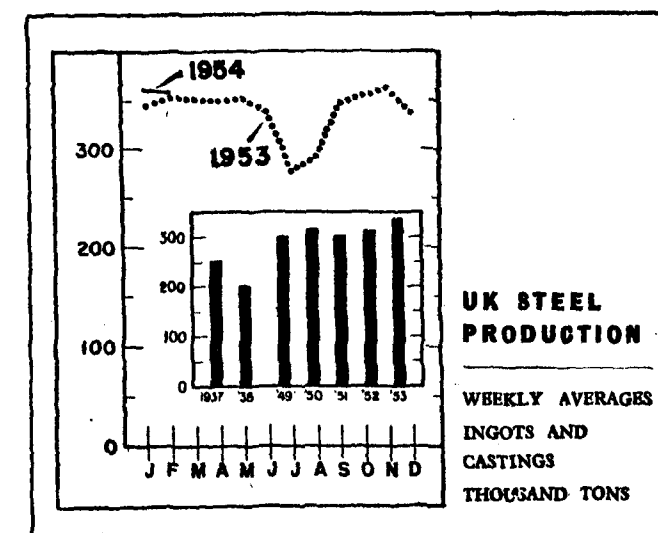
prerogatives, these leaders now have to face the greatest test in Kenya's history. All unofficial members of the Council of Ministers will be required to subscribe to a statement pledging them, among other things, to "promote racial harmony and to develop opportunities for all loyal subjects." If they fail to build a working partnership, they will have no one to blame but themselves.

"Passing Cloud" in Cairo?

GENERAL NEGUIB's restoration to the Presidency has been followed by an anxious week for the Revolution Command Council. It has spent long hours at emergency meetings, first sorting out the relationship between president, prime minister and chairman of the junta, and secondly arguing about the route by which Egypt shall return to parliamentary government. All such debates were punctuated by announcements about unity, made with a frequency that caused unconcealed scepticism at all points outside the inner circle.

The outcome of the first discussion is not yet wholly plain. President Neguib resumed his previous functions as premier and chairman of the junta; Colonel Nasser reverted to the vice-premiership and all the other cabinet changes of an unfortunate week were unmade. The hierarchy is as before; what has not been announced is whether Neguib now has the measure of presidential power to which he laid claim before the upset, or whether the junta still works by majority vote.

One clear victory for Neguib, if it comes off according to present plans, is the arrangement for electing a constituent assembly. An election is said to be due on June 19th, and the assembly is planned to open on July 23rd, the second anniversary of the revolution. In contrast to Neguib, Nasser is said to have hoped for a body with only consultative powers, and to have preferred that it should be nominated, not elected. Ali Maher—who is fast adding to his experience of umpiring in crises—will do the job of drafting the constitution and holds Neguib's view (which he may well have prompted) that the body must be elected and



must be responsible for drafting a constitution and for acting as a temporary legislature. Neguib has said that parties will not be allowed to canvass support, but that there will be nothing to prevent individuals who once sported party labels from standing for election "if their consciences are clear."

When Neguib and Nasser together attended a rally of officers on Tuesday, they were given an ovation which suggests that one important section of Egyptian opinion is relieved at this turn of events. Certainly President Neguib's personal position *vis-à-vis* army, junta and nation has been strengthened by the whole affair. Whether the army's "sacred movement" as a whole has likewise benefited is still unsure.

Iran, Oil and the Consortium

A MINOR explosion of feeling in Iran last week reveals that the Iranians, though the only people who stand greatly to lose by failure to reach an oil agreement, still regard themselves as in a position to be choosy. Though they have just had to accept a further \$6 million grant from the United States, and will be insolvent again by May if no oil agreement is reached, they do not see themselves as prisoners of their plight.

During his first press conference on March 3rd, Sir Roger Stevens, the new British ambassador, reasonably and rightly replied to a questioner that the issue of compensation for losses incurred by the Anglo-Iranian Oil Company was "still standing." A leading Teheran newspaper at once retorted that any compensation for loss was due to Iran and that "if Britain is interested in a settlement it should not provoke the Iranian nation to rise against it."

The incident suggests that the international oil consortium, if and when it gets to Iran, will need to exercise considerable diplomatic talent. Much will hang, for instance, on its choice of personnel. Even Dr Mossadegh recognised that compensation must be part of any bargain, and not for one moment could eight companies each with a stake elsewhere in the Middle East agree to any arrangement that omitted it. But the issue will have to be settled as part of some "package deal" that contains obvious offsetting advantages; otherwise Iranians are capable of shouting it down.

★

This point is apt to get lost while inter-company arguments on technique take place in London. As these drag on, impatience mounts in Teheran, where it is clear to all foreign observers that the Zahedi government will find it easier to get agreement through if negotiations start before rather than after the Persian New Year holiday, which begins on March 21st. For the companies, the financial and technical arrangements involved are obviously most intricate; but if discussion on them is at any time allowed to deteriorate into a point by point haggle, the chances of success in Teheran will diminish. The British Government is keener than any oil company to help Iran out of its troubles and has a potential and usable influence with one of the companies, in which it is a majority shareholder.

Reshuffle in Iraq

DR FADHIL JAMILI, premier of Iraq since last September, resigned last week, but has been reappointed, and has shuffled his cabinet in order to meet two requirements. One was constitutional; he was employing six ministers without parliamentary seats and this is permissible only for six months. The other was dictated by the perennial shape of the Iraqi parliament, which, owing to the configuration of the country and the lie of the constituencies, always contains a heavy proportion of rich landowners. The support of Nuri Pasha's party is, as things stand, necessary to get any measure through parliament; and it is notable that Dr Jamili's new cabinet contains a greater proportion of Nuri's supporters than did its predecessor.

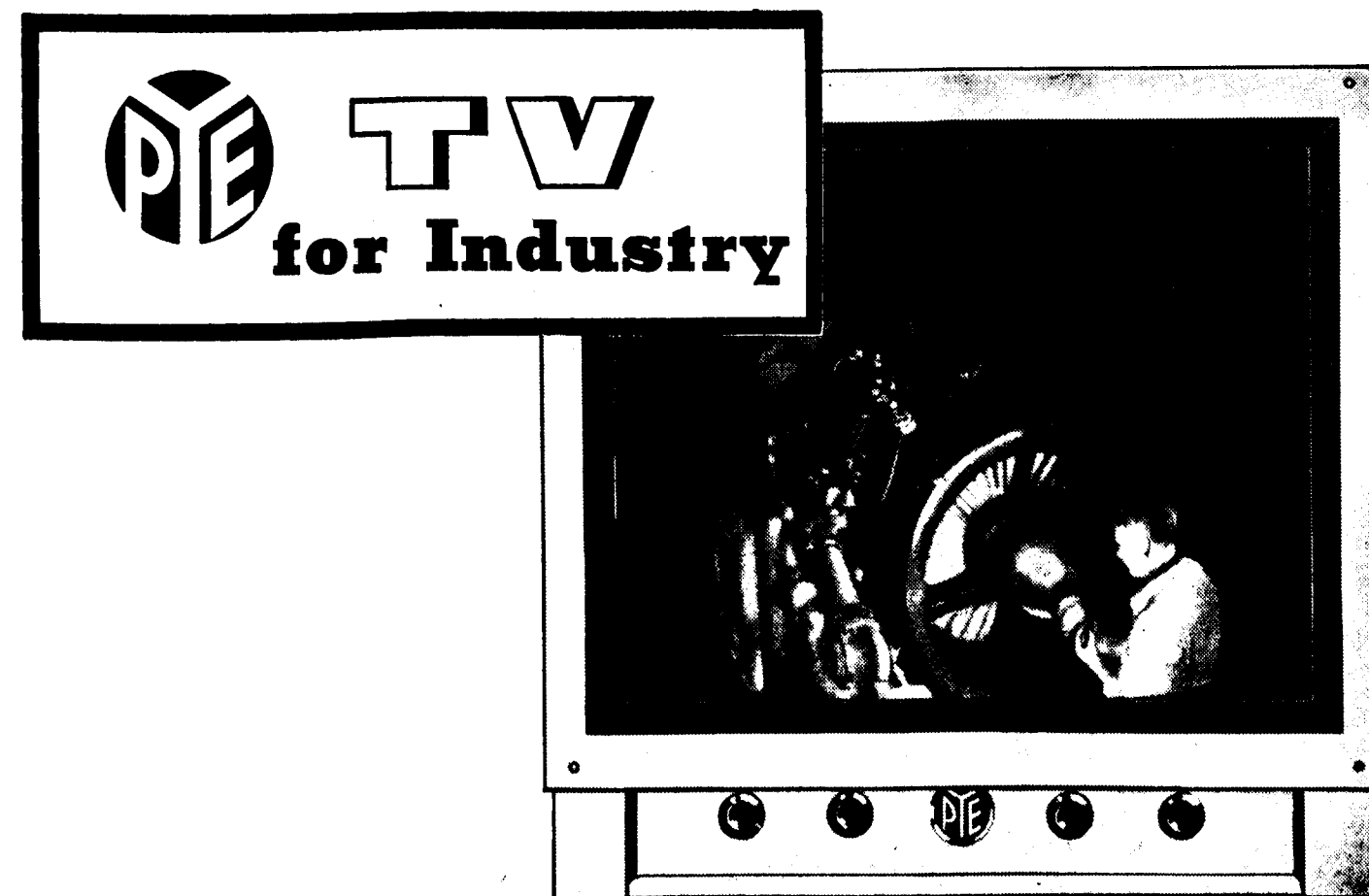
The change is probably designed to give a fair wind to some Bills on the statute book which have been hanging fire because the true-blue landowner thinks them not really necessary. They include a land-tax bill, which is by no means exacting but in which landowners see the thin end of an ugly wedge; and a land distribution bill for Amarra province that provides for the break-up of a certain proportion of each large estate. The new cabinet still contains five members without parliamentary seats. Whether constituencies can be found for them remains to be seen. It would be a sad pity if they were doomed to a fresh six months of patchwork operations.

Another of Iraq's conundrums is the social and economic question of how to time the spending of Iraq's sudden new wealth from oil so as to cause the least possible measure of human upheaval. The Development Board, though well supplied with technical advice, had been feeling a need for impartial judgments on this subject from someone with international experience. It wants help with such problems as ensuring that one development will not outstrip all others that should go with it, or that the volume of local employment nowhere oscillates unduly. The Board has induced Lord Salter to visit it this spring and to reconnoitre its difficulties. If all goes well, he will return for a period in the autumn; his standing and immense range of experience promise to stand Iraq in good stead.

Wooing the Ladies

ENTHUSIASTS for equal pay showed some imagination in the planning of their demonstration in and around the House of Commons this week, but Mrs Pankhurst would still have found them very tame. The principle of equal pay for men and women was approved in the House of Commons as long ago as 1920 and the question today is not whether, but when and how widely, it will be introduced throughout the Government service. On neither point was Mr Butler any more forthcoming than on previous occasions, but he managed to leave a faintly hopeful impression; whether the hopes that were raised have any basis in reality will presumably not become clear until the Budget.

That the controversy has been revived at all at this time is due largely to political pressures. Both sides have a sneaking suspicion, which they dare not ignore, that there

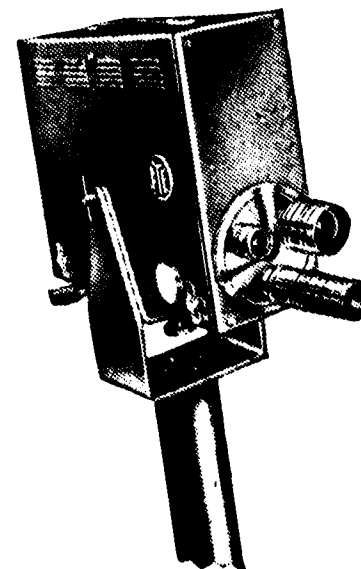


At the opening of the new Rolls-Royce factory

The first industrial TV broadcast of its kind was held at the opening of the new Rolls-Royce factory at East Kilbride, Scotland. Television cameras at the test beds three quarters of a mile away were linked by radio to two 27 inch direct viewing television receivers and guests were shown a Rolls-Royce Avon engine actually undergoing tests.

There are many circumstances where remote viewing by television can be of great value to industry. For instance, in the testing of any experimental engine the camera could be placed in a position that would be too dangerous for a human observer, the experiment being viewed safely on the screen of a remote monitor.

The Rolls-Royce demonstration was only one of the many ways in which Pye industrial television is helping British and American industry. For further information will you please write to Pye Limited, Industrial Television Division, Cambridge.



In basic form the equipment comprises a lightweight television camera and a viewing monitor; these are linked together by a single co-axial cable which may be any convenient length from a few feet to a thousand feet, depending upon the user's requirements.

The camera, weighing only 31 lbs. and measuring 16 x 6 x 14 inches approximately, carries three lenses giving a wide choice of viewing angles and features a newly developed low-cost camera "pick-up" tube possessing adequate sensitivity to normal industrial lighting. In practical terms, a clearly defined picture will be obtained with a scene brightness as low as 50 foot-lamberts—corresponding to the light reflected from an "average" subject placed 4 feet from a 200 watt lamp in a suitable reflector.

The viewing monitor displays a well-defined picture on a 14 inch diagonal rectangular cathode-ray tube with a built-in "black screen" to permit clear viewing with normal room lighting. A normal domestic television receiver may, without modification, be employed as an additional monitor if required.

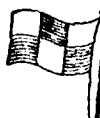
Alternative versions of the camera and monitor provide scanning standards of either 405 lines or 525/625 lines and the equipment will operate on any normal AC supply voltage, with a total power consumption of only 350 Watts.

How to cross the Atlantic

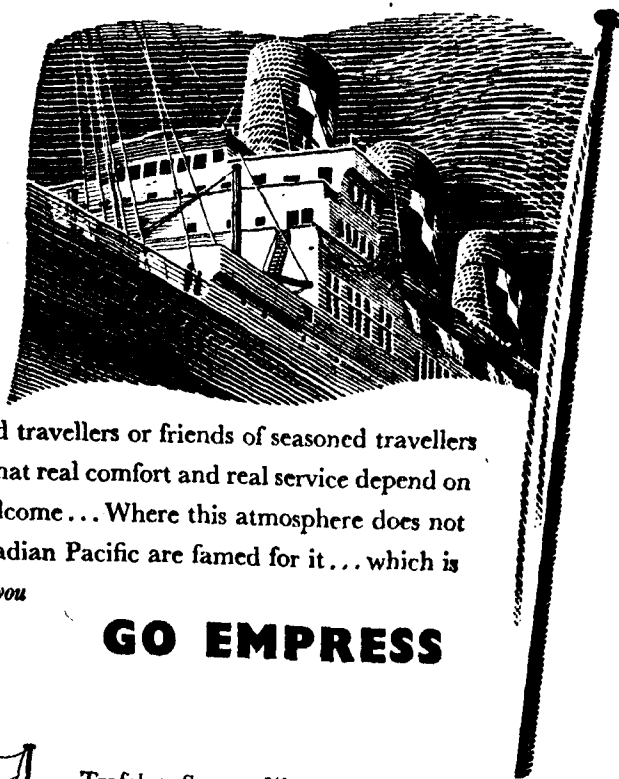
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are a lot of votes to be won by any party which can claim the lion's share of the credit for equal pay. The Tories, when in opposition, flirted with the unequally paid ladies, and now Labour has taken up the wooing. It was back-bench wooing at first, but it has now gained respectability. At first the subject was omitted altogether from "Challenge to Britain"; then, following protests, the party took the plunge and announced it would definitely "implement the policy of equal pay" when returned to power. Nobody quite knows what this means, but obviously it means that a Labour government could not stand still.

Back-bench Tory MPs have tried to match Labour's ogling but they have had the handicap of a stony-faced chaperon in the Treasury. They have, however, been able to point to Labour's flagrant inconsistency in making doom-laden prophecies about the Government's economic policies while urging Mr Butler to make a concession that neither Mr Gaitskell nor Sir Stafford Cripps could ever contemplate. This attitude may be important. If Mr Butler were to find himself with £30 million to spare he would now have a considerable political incentive to use it in this way—equal pay in the non-industrial civil service would cost £13.4 million a year and in teaching £17.2 million (of which £6.5 million would fall on local rates instead of the Exchequer).

A Bill for Trade Unions?

UP to the end of last week it seemed possible that the case of *Bonsor v. Musicians' Union* might go down to history with the Taff Vale case and other judgments which have been turning points in the history of trade union law. Mr Bonsor was a member of the Musicians' Union who had been expelled by a branch secretary because his subscriptions were in arrear, and for three years he could not get employment in his trade. He claimed that the branch secretary had exceeded his powers in the first place. The loss he had suffered was clear enough: the difference between what he did earn as an unskilled labourer—at one time he had to take employment scraping the rust from Brighton pier—and what he could have earned as a musician. He sued the union for damages, and came before the Court of Appeal to find what were his rights in law. It was obvious that no court could order the union to readmit him; it could only declare the original expulsion order bad. The Court of Appeal also ruled that, under a decision given in 1915, it could not order the payment of damages for the three years' loss of work; Lord Justice Denning dissented from this judgment, but the other members of the Court considered that they were still bound to follow the 1915 precedent, and that only the House of Lords could reconsider the law afresh.

Immediately after this decision was announced, it was learned that Mr Bonsor had died two days before; as a result the judgment becomes nugatory. It is possible that the executors of the dead man may apply to revive the proceedings, and that the case may then go to the House of Lords. If not, the position of an expelled member will remain governed by a decision given in 1915, and that no one can consider satisfactory. Too many circumstances have changed in these forty years.

To a large section of the population a right to be properly treated by the union is now more important, financially, than any right of property; the British Electricity Authority, for instance, have recently dismissed a man solely because he had been expelled from a union and the other men on the job would not work with him. Yet a trade union still remains, in law, an ill-defined association of men, half tainted by the early nineteenth century views on its inherent illegality. It is as though, in the commercial world, neither the Companies Act of 1862 nor any of its successors had ever been passed. Trade union officials have vastly increased powers but no increased legal responsibility to their members. There is a strong case for a Bill that would give every trade union member the kind of elementary rights that Table "A" of the Companies Act gives to members of a trading company. But it would be politically necessary that some trade union MP, or trade union peer, should introduce it.

Keeping Up with the Engineers

THE employers in the electrical contracting industry have finally thrown in their hand and made an offer of a wage increase of 2d. an hour, or 7s. 4d. on a standard working week of 44 hours. After last week's engineering award this was inevitable; but the guerilla strikers, who have seen other workers getting their 7s. rise without having to lose wages or contribute to strike pay, may still feel that a Communist-dominated union that has consistently refused arbitration has not served them well.

The court of inquiry into the wages on the privately owned buses has also followed the engineers' flag. It said that it could see no economic reason for varying the increase of 4s. (which was awarded by the Industrial Court in December and rejected by the union); but it added:

The matter, however, cannot be left there. Much has happened with regard to wages in the transport industry since that award, and we are of the opinion that a further increase should be granted... so as to make the total increase comparable with the increases... in other sections of the transport industry.

The principle of inflation by example has rarely been so clearly stated.

Although some individual engineering employers are still muttering hoarsely that they cannot afford the 5 per cent increase recommended to them, the signs are that they will be dragooned into line; the main question in this dispute is now whether the unions will insist that 7s. a week should be the minimum increase not only for skilled, but for unskilled workers (who would get 5s. 11d. under a 5 per cent award).

The other proposal of the engineering court of inquiry—that an "impartial body" should examine the effect of wage increases on the economy as a whole—has also made headway this week. The TUC has agreed to discuss the proposal with the Ministry of Labour, and also to discuss whether more industries should set up their own machinery for voluntary arbitration in wage disputes. It is still not clear whether Sir Walter Monckton is hankering after an "impartial body" which would make a once-for-all report (which is what the courts probably intended) or a continuing

organisation. He may feel that the real trouble about the seven shilling standard for 1954 is that it was originally set at the pistol point of a Christmas railway strike; and that some smaller standard might be set for future years if the original test award could be decided at some cool-tempered meeting, attended by union leaders who had no intention of striking. He is also known to be attached to the idea that the mighty men of industry and labour should get together as frequently as possible, and develop the most intimate contact. It needs to be re-emphasised that any such continuing and centralised body would involve a continuance (even if occasional diminution) of inflation by example, and a further departure from the principle that wages should always be related to an individual firm's need to attract new workers. It would be a very grave mistake.

Purged in Paris

THE struggle within the leadership of the French Communist party has now come into the open. At this week's meeting of the central committee, its secretary in charge of cadres and organisation, M. Auguste Lecœur, was violently attacked first by his colleague in the secretariat, M. Duclos, and then by all and sundry. M. Lecœur's removal from the secretariat was recommended and much emphasis was put on his unwillingness

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to indulge in "self-criticism." Unless at the last moment he submits with a spectacular *mea culpa*, M. Lecœur may well follow in the footsteps of the "renegade Marty" and find himself outside the fold, branded as a police agent.

Apart from charges of "opportunism" and breaches of the principle of "collective leadership," the chief complaint of his accusers is that M. Lecœur failed badly as the party's chief organiser. For some time the leaders have not been too happy about recruitment and other work in factory cells. True, the Communists have lost little of their popular support; for example, in the first ballot of the Seine et Oise by-election, the editor of *Humanité*, André Stil, maintained his position better than the other candidates and may well win the seat through the division of anti-Communist votes. But they depend mainly on the enthusiasm, cohesion and discipline of the factory workers. These leave much to be desired even in M. Lecœur's own fief in the mining Pas de Calais.

This is not the only reason for the disgrace. M. Lecœur is now being made the scapegoat for all unsuccessful strikes and demonstrations; he is simultaneously accused of social-democratic deviations and "revolutionary adventurism." This may well be an episode in the struggle for succession to Maurice Thorez. With Thorez an invalid, Duclos and Lecœur were the only active members of the secretariat. Lecœur, a northern miner's son like Thorez, may well have remembered that Stalinist bosses have always made their bid for power through the manipulation of party cadres. His bid has apparently failed. It remains to be seen whether he will be dropped like Marty, and whom he will drag down with him in his fall.

The Dollar Rate

Sir,—You will oblige me by explaining the reason for the maintenance of the present method of calculating the exchange upon London in the United States, which seems to me to be a very roundabout process when a very simple one would suffice. So long as the country was a dependency of Great Britain, or conducted its transactions in sterling money, the mode of reckoning the exchange by a fluctuating premium was right enough; but when the country adopted a currency of dollars, and made the dollar the integer of account, the exchange ought surely to have been reckoned from that date at so many pence to the dollar, the same as in all other countries that have a dollar currency. What does the quotation at New York of "exchange on London 8 premium" mean? It means 4s. 2d. sterling per dollar; but to obtain the result you have to start from the nominal par of exchange of 4 dols. 44c. per £, then add 8 per cent, which gives a net exchange of 4 dols. 80c. per £, which is equivalent to 4s. 2d. per dollar. How much easier it would be to call it 4s. 2d. per dollar at once! Have the Yankees any substantial reason for retaining the present method? If they have a particular penchant for the "premium," then they should make the par 4s. 2d., which is tolerably near the intrinsic par, and upon which a halfpenny per dollar, upwards or downwards, is exactly one per cent; or they should make it 5 dols. per £, which is nearer the intrinsic par, and upon which five cents, upwards or downwards, are exactly one per cent—a vast improvement upon the running decimal .044!—I am, Sir, your obedient servant, London, February 24, 1854. S. G.

The Economist

March 11, 1854

Spring Clean in Sofia

IN Eastern Europe a round of Communist party congresses is now in full swing. The ball was set rolling the week before last by the Bulgarians; it has now been passed to the Poles, whose congress started on Wednesday; later this month it will be taken up by the Rumanians and the East Germans; by the Hungarians in April, and finally by the Czechs in June. Last year the Soviet satellites, one after the other, adopted the modifications in economic policy decreed from Moscow. This year, one by one, they are giving their party machinery a good spring-cleaning and a good airing; they are throwing out the rubbish and making replacements where necessary. When the process has been completed, outside observers should have a somewhat better idea of the way events are shaping in the Soviet bloc.

Two points stand out in the reshuffling in the party hierarchy that has been announced from Sofia. First, Bulgaria's Communist boss, Viko Chervenkov, remains prime minister and leading member of the Politburo, but he has lost the post of first secretary of the Central Committee. He is, however, in good company; on becoming Soviet prime minister, Malenkov surrendered his leading position in the secretariat of the Central Committee to Khrushchev. Chervenkov, who may not have been over-enthusiastic about the new principle of collective leadership, has had to pay attention to it all the same. Secondly, the "national" Communists who suffered a violent eclipse after Kostov's trial in 1949, have staged a notable comeback, and now form

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a strong counterweight to the "Muscovites" in the central committee and the politburo. In particular, Anton Yugov, who was forced to lie very low for some years after Kostov's execution, and who has gradually come back into the limelight since Stalin's death, is now listed as third in the party hierarchy.

In his report to the congress Chervenkov revealed that, since the last congress in 1948, party membership had dropped by over 40,000 to 455,251. (Immediately after the war it jumped to about 500,000.) This, he said, was the result of a careful weeding out of "casual, rotten and dubious elements" who had sought to "conceal their dark pasts" inside the party. Even so, the party membership evidently still leaves a great deal to be desired. Chervenkov's attack on "slaves of the pen," "empire builders" and other undesirable characters could hardly have been more withering; and his strictures have been foreshadowed for months past in the party press. His report, together with the revisions of the party statutes, makes it clear that the purged, purified and reformed party is meant to play a more dominant role in Bulgarian life in the future. In particular party members in the villages will have to pull up their socks. Their work has been specially unsatisfactory, and a substantial increase in agricultural production is given top priority in the second five-year plan.

Latins and Colonies

TO chide the United States, and at the same time to appeal to its generosity, are the primary objectives of most delegates at the Caracas conference—as, indeed, at any meeting of the Organisation of American States. Dollars, in fact, are the only solid gains that such a conference can be expected to yield to any of the interested parties. However the voting goes on Mr Dulles's anti-Communist proposals, their principal target, President Arbenz's government in Guatemala, is unlikely to be toppled. The same is true of the debate on colonial issues; nobody seriously supposes that an OAS resolution will alter the status of the three Guianas or of British Honduras.

That, however, does not mean that the conference will pass over the colonial question quietly. Argentina's pressure for a sweeping resolution on this subject was, of course, to be expected; General Perón has never yet missed an opportunity of making political capital out of his pretensions to the Falkland Islands and Antarctica. But Argentina is confident that it will not be alone. Anti-colonialism is the one chord that vibrates in all the twenty Latin American republics, whether their inclination is left or right, for Perón or against him. Representatives of Dr Jagan's PPP party are in Caracas to persuade delegates that British Guiana is "an integral part of Latin America." (It is, in point of fact, no more Latin than Dar-es-Salaam.) Sad to say, Brazil, often a moderating force in the affairs of the western hemisphere, shows every sign of joining the anti-colonial hue and cry. Last October, just after the Guiana crisis, President Getulio Vargas declared that

America will not have accomplished its historic destiny until all residues of a bygone political age are no longer to be found in our hemisphere . . .

and Brazilian policy now appears to be founded on this sentiment. It is understandable that Dr Vargas is anxious

not to let General Perón monopolise anti-colonial solidarity. He also needs to distract Brazilian attention from last month's unpleasantness in Rio de Janeiro, where a "colonels' caucus" forced the President to drop both his Labour Minister, Senhor Goulart, and the latter's plans to raise wages. But must Britain always serve as whipping-boy for the internal conflicts of the Latin republics?

Light on the Grub Stake

FARMERS are expressing strong opposition to the development plan for Essex. They claim that the land which will be taken for development in the county in the next twenty years is producing food for 60,000 people and cannot be spared. No less than 1,400 objections have been filed in Essex; and in other counties, especially those in which towns are also to be expanded to relieve congestion in London, similar protests about the destruction of the "grub stake" of the people are in full spate.

Dr G. P. Wibberley, himself an agricultural economist, has introduced some sense into this emotionally cloudy issue in a paper recently read to the Royal Society of Arts. He estimates that about 560,000 acres of agricultural land may be lost in England and Wales in the next twenty years. On the figures available this would seem to represent about 2½ per cent of present agricultural production, allowing for the fact that the land to be taken will be above average in quality. There is nothing alarming in this prospect. The lost production could be made good many times over, if the market warrants, through more intensive farming or through the upgrading and reclamation of land. Indeed the latter possibility alone could, if necessary, increase total farm output by a third—according to a recent estimate of Dr Stamp, who is a leading conservationist.

The Government's present policy is to avoid development on the best farmland even if this involves some increase in building costs. This policy is faithfully followed in most of the county plans; yet, as Dr Wibberley points out, the cost of this policy has never been tested against the alternative costs of upgrading, reclaiming or improving land elsewhere. For instance, if the maintenance of land in agricultural use costs the country more than about £160 an acre (which it often does), it is probably more economic to replace the lost food production by an equivalent investment in hill farming. And even this calculation assumes that the maintenance of food production is the country's one overriding aim. Meanwhile all these local inquiries are going on without any economic yardstick to resolve disputes; when the authorities make the right decision—as they did recently at Swindon—they have to wade through emotions in flood.

Milk for Sale

ON April 1st the Milk Marketing Board will resume its full powers. It will assume control from the Ministry of Food over the supply and disposal of virtually all the milk produced in England and Wales (there are three separate boards for Scotland). Fortunately, its

monopoly will be less absolute than before the war in two ways. In order to meet the natural objections of the distributive trades a joint committee will be formed to "deal with problems of mutual concern," in other words with supplies and prices. The consumers' interest is to be less clearly protected, but since milk will continue to be subsidised the prices fixed by the board will require the Government's approval.

The board will face at once the awkward problem of a milk surplus. Stimulated by high guaranteed prices, the production of milk has steadily increased while the demand for liquid milk, despite the support of a large subsidy, has been static. The remaining milk, which in the coming year may constitute up to 25 per cent of the total output, must be sold for manufacture into butter and cheese, at very low prices. Somebody—either the producer, the consumer, or the taxpayer—must carry the loss on this section of the market. Before the war the board managed to pass the buck to the consumer of liquid milk, but that is less easy today and would make a mockery of the nutritional policy that has helped to produce the milk surplus.

The crucial question is therefore how far the taxpayer will be asked to underwrite the board's losses. The Government has agreed to continue to guarantee prices to milk producers; but it will pay the higher price attributable to liquid consumption in respect of only a limited (but variable) proportion of total output. Any losses made in the manufacturing market will be shared fifty-fifty between the board and the Government. Everything depends on how these guarantees are interpreted. It is right to give the board every incentive to develop new outlets through the sale of cream, the improvement of milk bars, and elsewhere. But the fact remains that milk production has already been pushed beyond its economic level as a result of farmers' pressure and of Ministerial weakness; and it would be the height of folly to go on producing extra milk which must be sold, mainly at the taxpayers' expense, at little more than one-third of its cost of procurement.

An Irish Election

THE lid blew off politics in the Irish Republic last week (writes our correspondent in Dublin) with the declaration of the polling in by-elections in Cork City and Louth. In both cases the seats were held by the principal Opposition party, *Fine Gael*. At the 1951 General Election Mr de Valera's government party had had a slight overall majority in Louth and what seemed to be a comfortable majority in Cork City. These have been now turned into substantial deficits; the swing in Cork was particularly large and is an ominous pointer to the trend of opinion in the vital urban areas.

Since the present *Dail* met in June, 1951, Mr de Valera has held a parliamentary majority of two, 74 votes to 72. He could still continue to juggle through the affairs of government with the aid of some deputies elected as Independents, but has wisely decided not to. The *Dail* is therefore to be dissolved on April 24th, three days after the presentation of the Budget, and a general election will be held on May 18th. The implications of this timetable are not clear. Mr de Valera in the past has believed in carrying

the fight to his opponents; and in present circumstances an electioneering budget would be perhaps too obvious a piece of tactics. On the other hand he may feel that delay will help to create divisions between the opposition parties. The two principal of these opposition parties, the conservative *Fine Gael* and the Labour party, worked together in the coalition of 1948-51; and it is noteworthy that the second preferences of Labour votes in recent by-elections have generally been cast for *Fine Gael*. But Mr de Valera has the advantage that the apparently increasing number of voters who are against him are an oddly assorted bunch.

Bao Dai or Mao Tse-tung?

NEGOTIATIONS about Indo-China—this is clearly the topic of the day in Paris. But in a confused situation it is difficult to distinguish what sort of negotiations, where and with whom, people have in mind. With Mao Tse-tung, Ho Chi-minh or Bao Dai? In Geneva, Saigon or in Paris? During the parliamentary debate on Mr Nehru's cease-fire proposal some critics, in particular M. Mendès-France, advocated immediate and direct negotiations with Ho Chi-minh. M. Laniel, the prime minister, while outlining the French terms for an armistice, saw more hope of an agreement at the Geneva conference table. Finally, some passages in the governmental motion approved by the Assembly were clearly aimed at forcing the hand of Bao Dai's representatives, who have come to Paris to negotiate a new treaty with France.

The inability of Bao Dai's regime to provide an attractive and popular counter to the Viet Minh has undermined the plans for a progressive evacuation and transfer of power. His prime minister, Prince Buu Loc, seems to think that to restore his prestige he must show independence and drive a hard bargain with the French. Many commentators in Paris, on the other hand, believe that it is not worth while straining the delicate pattern of the French Union to obtain the agreement of a tottering government. Without going so far, M. Laniel wanted, however, to warn the Vietnamese what could be the results of their refusal to co-operate with the French Union, and recalled that France would be then under no obligation to continue its struggle in Indo-China.

Fewer and fewer people in Paris believe that the Indo-Chinese burden can be passed on to the Bao Dai regime or that there can be a military solution to this war. Thus, though there is little doubt that the expeditionary corps can now cope with a Viet Minh offensive, the question is no longer whether to negotiate, but what terms to accept. M. Laniel stated for the first time the French terms for an armistice, putting the security of the expeditionary corps and the Vietnam units as his primary consideration. The Viet Minh is unlikely to accept the French preconditions. On the other hand, in Paris hopes are being raised that at the Geneva conference table American economic concessions to China could be traded for Viet Minh concessions to France. Many Frenchmen seem to forget completely that, whatever his desire to see France in EDC, Mr Dulles will have very little latitude in his negotiations with the Chinese. It is preferable to dash these illusions now than to face a period of mutual resentment and recrimination after Geneva.

Finns in a Rut

IT is always easy to be wise after the event, but the result of last week's general elections in Finland provokes one insistent question. The agitation for an early dissolution of parliament, which was successful in bringing forward to this month the elections normally due in July, was conducted by political groups of both the right and the left. What, one wonders, did they hope to achieve? The Finnish voter is the last person in the world from whom to expect a political landslide. The innate conservatism that braces him against external stress also leads him to vote doggedly, year after year, for his traditional party; even the Communists come under this heading. At the weekend, he went conscientiously to the ballot boxes—a poll of eighty per cent was recorded—and, in effect, confirmed the unsatisfactory *status quo ante*. Did anyone seriously expect him to do otherwise?

The only noteworthy changes in the new parliament are the slight gains made by the two biggest parties, the Social Democrats and Dr Kekkonen's Agrarians, at the expense of the Conservatives and the Swedish party. The balance of strength as between the two major parties remains an even one, and the Communists have held their position without loss. Thus, although the caretaker government of "technicians," headed by Mr Tuomioja, the head of the Bank of Finland, which took office in November after Dr Kekkonen's fall, will now submit its resignation to President Paasikivi, the prospects of a new government able to control a reliable majority are very small. There has, admittedly, been talk already of a Social Democrat-Agrarian coalition; but it is difficult to take this any more seriously after the elections than before. The two parties are divided not only by rivalries and suspicions of long standing, but also by their quite contradictory attitudes to the problem of reducing production costs, which is now crucial for Finland.

A further period of minority government, that would be welcome only to the Communists, is the most likely prospect. It can only be hoped that it will fare as well as that of Mr Tuomioja, which in its brief term of office has shown surprising vigour in tackling Finland's louring economic problems.

Num or Nonne?

THE coupons sent out to the eight million people who participated in the pools for football matches played on February 27th were accompanied by a statement from the Pool Promoters' Association attacking Mr Mulley's Bill which would force them to publish accounts; the statement declared that the Bill would add considerably to the promoters' costs, and it included such tendentious implications as that the eventual aim of the Bill was to suppress the pools altogether. Punters were asked to state on their signed coupons either that they opposed the Bill, or that "in spite of what you say" they supported it. Over 6,100,000 gave the answer that the promoters wanted, only just over

575,000 supported Mr Mulley, and just under 1,500,000 gave no reply.

Meanwhile the Gallup Poll had asked a representative cross section of punters the same question in a more straightforward way. His poll gave a precisely opposite result. Of those who go in for pools, 66 per cent were in favour of published balance sheets, 22 per cent were opposed to them, and 12 per cent "did not know."

Students of Latin will remember that some questions expect the answer "no" and some the answer "yes." Students of the constitution will remember that referenda have never been treated as a serious way of reaching democratic decisions in this country. Mr Mulley has now incorporated some amendments in his Bill which should ensure that the cost to the promoters will be kept down to derisory levels. The Government would therefore be well advised to give his Bill all the help it needs. All *prima facie* evidence shows that there is nothing really nasty in the promoters' woodshed, but their present tactics are merely helping grandmother's fancy along.

The Super-Normal Child

WHEN an administrator of the standing of Dr W. P. Alexander plunges dashing and unexpectedly into educational theory he is bound to cause a stir. Dr Alexander is secretary of the Association of Education Committees and his normal role is as spokesman for the local education authorities in negotiations with the Ministry of Education and on the Burnham Committee. In the latest issue of *Education* he advocates a revolutionary change in secondary education after the age of eleven. He wants to segregate the "super-normal" child (say, the top 5 per cent) in grammar schools, chop off the bottom 2 per cent and put them in special schools for the educationally sub-normal, and lump the whole of the remaining 93 per cent in high schools. It would be open to any child in these high schools (which would, in effect, be the present secondary schools) to sit for the General Certificate of Education. They could do so at any level, including a new and lower level which would be specially devised.

It is clear from these surprising proposals that Dr Alexander despairs of the present system—of the interminable controversies over selection at eleven, comprehensive schools, early school leavers who will not stay the grammar school course, and the insistence of employers and parents that as many of the young as possible shall have at least one examination label. But his suggestions appear to beg as many questions as they attempt to solve. Would it really be any easier or less controversial to pick the top 5 per cent than the top 15 per cent? The competition would certainly be fiercer for this holiest of holies. Would it be possible to give adequate teaching to the near-super-normal in a school of 600 in which there were as many near-sub-normal? Dr Alexander is aware of these difficulties, though his solutions are not reassuring. But is the present secondary system really working out as badly as the politicians pretend? If they would only leave it alone, with preferably another £20 million to pay more and better teachers, half the problems might disappear of themselves.

Letters to the Editor

The Law and the Homosexual

SIR—As you point out in your Note last week, informed opinion is pretty well agreed that the laws relating to homosexuality should be reconsidered. But the "stamp it out" school is strongly entrenched in high places, and one wonders whether it has ever considered the full implications of its views. Perhaps a few statistics will help to shake them.

The Home Secretary says there were 670 "unnatural offences known to the police in England and Wales" in 1952. There is no reason to suppose that homosexuality is less common in England and Wales than in the United States. For America we have Dr Kinsey's figures of actual homosexuality rates, as distinct from the number of offences discovered by the police. His statistics, carefully checked and collected by the most sophisticated techniques, have nowhere been seriously questioned, whatever one may think of his recommendations and inferences.

Nevertheless, let us err on the side of caution and halve his rates. If we then apply them to our own population by age-groups it may be reckoned that there were about 25 million "unnatural offences" in England and Wales in 1952 (or 50 million if each partner is counted separately). Again, 19 per cent of the male population will have before death committed an "unnatural offence" at least once, and perhaps 5 per cent of unmarried men will at any time be doing so regularly (still halving the Kinsey rates). That means there are 200,000 Englishmen and Welshmen who as recidivists should, according to some people, go to prison. The present total population of our prisons is one-ninth of this; the effect on the already overcrowded prison accommodation of any serious attack on these 200,000 is obvious.

Perhaps then at least proselytising should be punishable by prison? On the assumption that homosexual acts are mostly learned by young adolescents from older adolescents, it is these latter who must be imprisoned if any serious dent is to be made on proselytising. One adolescent in five (half the Kinsey rate) is involved, say 150,000 in their later teens. Suppose that 50,000 are seriously guilty of proselytising. This is twenty-five times as many as are at present sentenced to Borstal in a year. One might add that it would make serious inroads on the supply of national servicemen.—Yours faithfully,

STATISTICIAN

Middle-Age Spread in the Banks

SIR—Doubtless complacency is the besetting sin of many British institutions and you do well to print a very chastening article in your issue of February 27th. But surely your correspondent overdoes his chiding; he would have done better to argue his case more closely on a limited number of points.

Inevitably, the big changes that have taken place over the last fifteen years in the employment of bank assets have had repercussions on the structure of their earnings. Before the war banks were able largely to cover their overheads by employing around 50 per cent of their assets in remunerative advances, and consequently could provide a banking service to their credit customers at well below cost. In changed circumstances, not unrelated to loyal compliance with Treasury directives, banks are now unable to lend as freely and are now having, as your correspondent points out, to relate their charges more closely to the cost of the services they render. Customers look back nostalgically to the days when charges were often little more than nominal. Perhaps, indeed, the banks are to blame for having provided "free" services too long! By comparison with the past, present charges may appear high. But your correspondent brings forward no evidence to show that they are high by comparison with those in other countries, with those of the Post Office where comparable, or yet with other professions.

Perhaps, though, the mention of the word "profession" is unwise. For your correspondent seems to think of banking merely as "a great accounting machine of settlement and record." It is certainly this and much of the energies of bank clerks are absorbed in its vital routine functions. But the bank manager is something more than a superior clerk and a trader in money. Indeed, there seems to be an increasing demand for his services as a general business adviser, whose help is being sought by a widening range of customers, many of whom in the past had little need for professional services and now find in him a useful business G.P. Such a concept of his role is not altogether incomparable with "the creative fields of law, medicine, science, architecture and perhaps accountancy."

It would be a pity if this article deterred any young man of rather more than average capacity from entering banking. Prospects for such a young man have never been brighter than they

are now. A planned recruitment policy, the steady turning over of much of the routine work to short-service women, training schemes to hasten the process of learning from the experience and knowledge of others, all combine to make it possible for the man of personality and ability to reach a worthwhile position by the time he reaches his early thirties.—Yours faithfully,

Hertford

E. R. ROPER POWER

★

SIR—Your correspondent seems to be quite unaware of what has already been done in the way of mechanisation and improved organisation within the banks. It is remarkable to learn that (after a struggle) the passbook has given way to the statement of account, when I can recall this transition taking place with comparatively little difficulty no less than twenty years ago. The major part of bank book-keeping is, of course, already mechanised and many improvements in organisation have been apparent in the postwar years. In addition, a progressive policy of mechanisation and improved methods looks to be the general rule of present-day administration. It is not difficult to appreciate, however, that the application of mechanisation to the smallest branches would be uneconomic, and that the work of such branches, in a scattered rural area, could not be promptly dealt with by a system of centralised machining.

Non-narrative ledger and statement posting is now well established in many branches, but this innovation has certainly not been greeted with the public acclamation which your correspondent seems to expect.

Your correspondent appears to believe that male staff are extensively engaged on duties which could be mechanised. It would be interesting to know what these duties are. They are certainly not concerned with ledger or statement work, except perhaps occasionally in the very smallest offices.

I agree that the introduction of a non-transferable cheque would effect a saving in handling time in the offices of both the collecting and the drawee bank, though it would not, of course, affect the work involved in the process of clearing. The inducements suggested to secure the popular acceptance of such an instrument would, however, involve the co-operation of the Exchequer, and call for a system of differentiation in charging accounts which might well absorb much of the time saved by the use of the new form of cheque. I fail to agree that the banks' security procedure is cumbersome. Nor do I believe that their competitors in the field of lending offer a less cumbersome procedure, though my own experience suggests that it is frequently more expensive. There is, no doubt, some scope for mechanisation in the handling of cash, though I would consider that the opportunities in this direction in most branches are very limited.—Yours faithfully,

Sevenoaks, Kent

S. S. WESTOVER

Apartheid in the Universities

SIR—Mr D. W. Hertzog, in your issue of February 27th, deplores criticism of South African policies by "unenlightened outsiders who have nothing to lose." I should like to assure him that there are many not altogether unenlightened people within the Union who consider that were the Universities of Cape Town and the Witwatersrand compelled by law or financial discrimination to exclude or segregate their non-European students this edict would not only involve a vital interference with the autonomy of the universities but would be a suicidal policy for all South Africans whatever their colour or creed.

Quite apart from the almost insuperable difficulties of providing segregated university facilities in South Africa, the enforced separation of the most highly educated members of the different racial groups is likely to be disastrous to the development of a harmonious society. Your correspondent admits that contact in some form or other is inevitable. In these circumstances to segregate the potential leaders of the different groups in their most formative years is simply asking for trouble; for it prevents the growth of understanding and tolerance of different points of view and the dissipation of prejudice.

In the actual circumstances in South Africa, the enforcement of university segregation is likely to accentuate bitterness among the non-European groups. It is generally admitted that the Union already has more universities than it can adequately support. If these are to be multiplied to provide separate facilities for the different racial groups, the financial burden will be beyond the capacity of the country. The result will inevitably be that all or some of the institutions will be starved. Experience in South Africa and elsewhere shows that in practice it is the non-European institutions which are likely to suffer most. Consequently non-European intellectual leaders would be gathered together in small, poverty-stricken, segregated institutions where through intellectual isolation narrow bitter sectionalism is likely to develop and feed upon itself.—Yours faithfully,

SHEILA T. VAN DER HORST

Cape Town

Enterprise in the Air

SIR—Your article of February 13th contends that the British Government propose to grant a North Atlantic freight monopoly to Airwork, Ltd. In last week's issue, Mr Castlemaine takes exception to this statement. He explains that BOAC already provides 23 cargo-bearing flights per week. In the face of such fierce competition, Mr Castlemaine assures us that any suggestion of an Airwork monopoly "does not accordingly bear scrutiny."

To describe BOAC's services as "competition" surely ignores the wide gulf

between the types of freight traffic sought by BOAC on the one hand, and by Airwork on the other. BOAC, by offering frequent regular services in passenger/freight aircraft, is well placed to handle one type of cargo—low weight, small-bulk, high-speed "parcel" freight. Combination aircraft are structurally unsuitable for heavier, bulkier loads. Furthermore, the ground facilities and organisation are insufficiently specialised to take maximum advantage of the essential feature of all air-freight: not speed from port to port, but from consignor to consignee.

Whether or not this limitation of their facilities is of their own choosing, the fact remains that there is a gap in the services offered by BOAC. This situation was recently highlighted by the triumphant advertisements of an American airline: only they could be entrusted with the carriage of the British Show Jumping Team's horses across the Atlantic.

Despite BOAC's 23 freights per week there is this inability to transport bulky and awkward cargoes. And in this ever-growing field an undoubted monopoly has been granted to Airwork. Operating all-freight aircraft under monopoly protection, and drawing on the experience of Furness Withy in freight handling, Airwork should be in a position to gain an important share of the air-freight market.

Mr Castlemaine concludes that "Airwork would welcome an opportunity to share BOAC's transatlantic passenger and mail monopoly on the same terms as BOAC are already free to participate in Airwork's so-called cargo monopoly." It will be a great day for air-freight in general, and Airwork in particular, when passengers can be induced to travel as "fill" in all-freight aircraft. Certainly, fellow passengers as beloved as Foxhunter would be a real attraction.—Yours faithfully,

JOHN C. SEEKINGS

London, S.W.10

New Broom at the Town Hall

SIR—Your article in your issue of February 20th on the report on Coventry's administration was a destructive criticism. The last paragraph grudgingly admits that some good might perhaps spring from the experiments, but this is completely at odds with the rest of the article.

It shows no regard for many of the problems besetting local government, some of which can be ascribed to methods and organisation now in use. At least three of these seem outstanding. First, committee devotion to detail and reluctance to delegate clearly and regularly to chief officers is making such demands upon members' time that it is becoming very difficult to find new candidates for local councils. Secondly, the want of a central establishment section with adequate authority is giving rise to many staff problems which have effect on both the morale of the staff and on recruiting for the local government service as a whole. Such difficul-

ties are, for example, a lack of common grading for similar posts in different departments, of proper training schemes and of a promotion ladder common to all departments of the administrative staff. Thirdly, the over-stressing of the "master in his own house" theory has produced some chief officers who appear oblivious of common organisational problems, of theory of staff management and training, and who only too often are empire builders. In this attitude, they are frequently encouraged and supported by their committees with the inevitable waste of public resources, overlapping responsibilities and a failure to see council activities as a whole.

It is an ill service to local government if we do not re-examine the whole of our conceptions regarding conventions and local democracy. The major problem posed by this report is whether the complex conditions of the present are being met efficiently by a local government system, many of whose methods and ideas are of the last century. No other large and complex organisation, for example, can afford to be without effective co-ordination. Somewhere in local government responsibility for such co-ordination must be clearly defined and must clearly rest. This Coventry City Council is attempting to do. It may well mark a new approach to our theories of local government organisation and control.—Yours faithfully,

HENRY MADDICK

University of Birmingham

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Britain's Maritime Tradition

THE NATION AND THE NAVY.
By Christopher Lloyd.
Cresset Press. 301 pages. 18s.

IT is, perhaps, a timely moment for the appearance of this fascinating study of British sea power and of the men and ships by which it was exerted from about 1500 to 1922. The Defence White Paper and this week's debate on the Navy estimates show that the role of the Navy in Britain's defence plans is ripe for reconsideration. Mr Lloyd is no extreme "navalist," but he does convey to the reader a vivid impression of the continuity of the British maritime tradition, of the consequences of forgetting or neglecting what is "not only a matter of professional pride and interest . . . [but] ought to be a subject of public concern." Only a very rash writer would today dogmatise from the past about the course of a future war—and Mr Lloyd does not attempt to do so. Yet he does make it plain that, however greatly the instruments of war may change, the fundamental need of the British Empire is still to defend this island base and its far-flung thousands of merchant ships. Moreover, his lively interest in the men who from the sixteenth down to the present century have manned British ships ("of which the Royal Navy is only the fighting part") serves to remind us that in all wars, including the last, it is the staunchness, loyalty and endurance of those men, rather than the novelty of the weapons supplied to them or their enemies, which is ultimately the deciding factor. The First Lord's speech this week, with his emphasis on the Navy's need to retain the services of its trained men, gives added point to this reminder.

As for the essential continuity of Britain's maritime history, Mr Lloyd sometimes hints and sometimes actually suggests that, although his story stops short of the recent struggle, there are many strategic and tactical points of similarity between it and earlier wars. Thus the English Channel served "in successive ages as a wall, a moat and a tank trap"; Vauban's views on the suitability of Brest as a base for commerce raiders coincided exactly with Hitler's; Rifleman Harris's heartfelt joy and relief on sighting the British men-of-war in Corunna harbour were echoed by men brought back from Norway, Dunkirk, Greece and Crete in 1940-41; the successful defence of British merchantmen has throughout the ages been by convoy and escort.

There is, however, one thread running through the book on which the author,

probably deliberately, offers no comment at all, but which cannot escape the attentive reader and is of great significance today. It concerns the repeated disasters to overseas expeditions when the planning and preparations were inadequate, when delays were caused by one inefficiency or another, when secrecy was compromised and, above all, when the naval and military commanders were at loggerheads. From the Cartagena expedition of 1741 under Vernon (the "angry Admiral" of a recent biography), here described as "the most disastrous expedition in history," to the Walcheren Campaign of 1809 (which was hardly less disastrous) the causes of failure were basically the same and the consequences identical. And the conduct of General Wolfe and Admiral Saunders in the capture of Quebec shines in happy contrast to the all too frequent bickerings between the leaders of less fortunate expeditions, right down to our own days.

Where so wide a field is covered it is inevitable that points of disagreement will arise. Some may consider that Mr Lloyd overrates the influence and capacity of that attractive intriguer Sir Sidney Smith. This reviewer at any rate does not agree that his small squadron "was able to save Sicily"; there was a large British garrison there at the time. Equally it is an overstatement that Nelson's tactics at the Nile were "unpremeditated." Lastly it may be captious to point out that Bermuda is not in the West Indies.

This is first and foremost a book for the teacher. It should be included in every secondary and grammar school library and used as the basis for what is so much needed today—a realisation of the foundations on which British wealth, greatness and security rest, and of the devotion of the men who created and preserved them. Mr Lloyd's clear and easy style makes it a pleasure to read and his touches of humour would enliven a subject which all too often appears to pupils as nothing but a drudgery of dates. Who, for instance, would not chuckle, and remember that "Admiral" first meant "flagship," when told that "we need not be alarmed when we read . . . that the admiral burst into flames after an internal explosion"? Mr Lloyd gently inters a few cherished but apocryphal stories like Drake's reply when told of the approach of the Armada, but he has done something of immensely greater value in analysing so clearly the British maritime tradition and in explaining it in so attractive a form.

THE ECONOMIST, MARCH 13, 1954

Exploiter or Pioneer?

WESTERN ENTERPRISE IN FAR EASTERN ECONOMIC DEVELOPMENT.

By G. C. Allen and A. G. Donnithorne.
Allen & Unwin. 292 pages. 20s.

MOST Asians see the Western business man as a past, if not a present, exploiter. Most Europeans, by contrast, see him as a courageous pioneer. The merit of this book is that its concentration on facts rather than opinions enables one to see the element of truth in both views. It is, therefore, important that the conclusion emerging from their facts is that the Western business man was always very much more pioneer than exploiter. Indeed the only sense in which he could be said to be an exploiter at all was moral rather than economic: the forcing of his own ideas of development on a Chinese society which, in its conscious policy, did not wish to accept them, however much in its day to day life it may have been tempted by the new conveniences.

Primarily the Western business man was a creator, the founder of a whole series of modern institutions, from banks to insurance companies, from steamships to a commercial code. The scope given to him was, however, very different in China and in Japan. In China he did more, because Chinese society resented him more; in Japan he did less, because everything he could do the Japanese were eager to do themselves. Until Chiang Kai-shek's burst of efficiency in the 1930s, China had a government which did not want to create a Western style society. It gave way to pressure, particularly armed pressure, because it could not help itself, but it was never prepared to co-operate. The first railway line was bought by the Government and torn up. The first attempt to mine the great iron ore reserves of Central China ended in the Government repurchasing the concession. There were no modern Chinese banks able to function in the same way as Western banks until the late 1920s. The Chinese business man was not even protected from elementary threats to life and property until after the end of the war-lord era.

Everything the foreign business man wanted, he had to do for himself, whether it was insurance or shipping, banking or efficient municipal government. Even the development of China's own exports was largely left to the foreign business man. It was he who created the market for soya beans and groundnuts, for example, and when, as with tea or with silk he was unable to obtain the regular standard of quality the overseas market demanded, China lost business to other countries. The extent to which foreign predominance was the result of the Chinese Government's inability to create the conditions necessary for a modern economy is illustrated by Shanghai. There the foreign concessions provided the Chinese business man with freedom and the rule of law, and he built up a considerable modern business apparatus.

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By contrast, in Japan, the Government was eager to take everything the West had to give. It used subsidies and Navigation Acts to build up steamship lines; it participated in the capital of the first Japanese exchange banks; it went on to the gold standard at an early date. It built railways and telegraphs; it was a persistent initiator of industrialisation; it was always willing to employ foreign experts or send Japanese abroad to learn. Its determination to create a Western style industrial society was so great that it was never necessary for the foreign business man to exercise any pressure upon it.

The moral of the authors' facts is clear. When the East was receptive, there was no need for the West to be rough. The proof is the more convincing because the authors so largely leave the reader to find it for himself.

Genesis of a Party

THE ORIGINS OF THE LABOUR PARTY.

By Henry Pelling.

Macmillan. 267 pages. 21s.

THIS book seeks to describe the various attempts at socialist and working class organisation which took place between 1880 and 1900, and to show how they led eventually to the emergence of the Labour party. It is not an easy task. The story is one of conflicting and mostly abortive attempts

rather than of continuous development; the nomenclature is involved; and there is a bewilderingly large number of organisations and characters to be assigned their proper place and influence.

Mr Henry Pelling surmounts these difficulties with considerable skill. He has imposed a good framework upon his material, and within this he is scholarly, perceptive and readable. He has a good eye for the brief but apposite quotation, and he mixes a generally sympathetic approach to his subject with an occasional note of irony. Some of the illustrations are well chosen—there is a delightful combination on one page of Keir Hardie looking his most plebeian and Cunningham Graham (painted by Lavery) looking his most patrician, both appearing under the label of "The First Socialist M.P.s"—but there are far too many reproductions of political art designs in the William Morris style.

Success came to the Independent Labour Party because it was the first socialist organisation which could secure a working arrangement with the trade unions. That is the main lesson of the book, and it is of course a point which has been the key to the whole subsequent development of the Labour Party. A close alliance, based on a degree of mutual tolerance, between the hard-headedness of the trade unions and the enthusiasm of the political idealists is the one thing that has made the Labour party a major force, and which keeps it so. Keir Hardie, despite his evangelistic

style of oratory, was quite cool enough to realise this. Indeed, he appears from Mr Pelling's pages as a good deal more than the warm-hearted proselytiser that he is commonly thought to be. "It was significant," we are told,

that whenever conference time came round he [Hardie] was careful to insert a note in the paper urging the branches not to follow the practice of binding their delegates to strict instructions, but to leave them free to be influenced by the debate, which would, of course, be dominated by himself and his colleagues. There was something of the shrewd party manager concealed beneath the cloth cap.

If there is a fault to be found with Mr Pelling it is that he does not give us quite enough analysis of the difference in outlook between Hardie and Burns, Hyndman and Shaw, and the other *dramatis personae* of his story. But this is a fault on the right side. It is better to have plenty of hard facts without quite enough generalisation than the other way round.

United Europe

L'EUROPE UNIE ET SA PLACE DANS L'ECONOMIE INTERNATIONALE.

By André Philip.

Presses Universitaires de France. 365 pages. 900 francs.

M. ANDRÉ PHILIP'S book covers a lot of ground, but all of it is known intimately to the author from his experience as minister in French

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Over a century ago a small country grocer, known as "Father" Ganne, befriended a group of unknown and penniless artists who came to paint in his picturesque village of Barbizon, near Paris. He opened his house to them, allowing them to live and work there in return for an occasional few francs.

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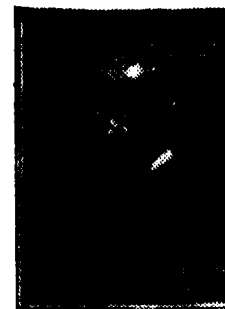
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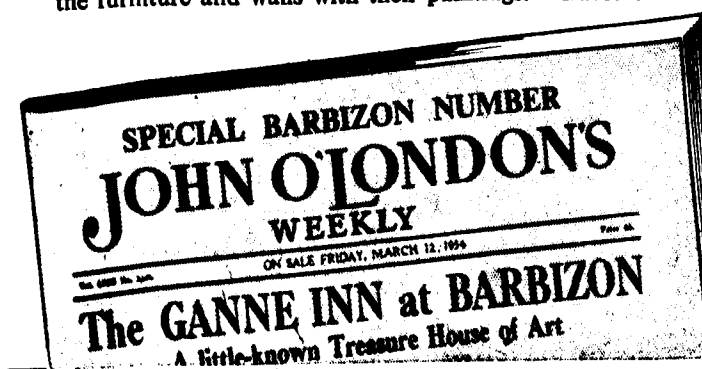
COROT



MILLET



INGRES



governments since the war, as delegate at international economic conferences and as promoter of European unification at Strasbourg. He has written an admirably documented analysis of the world's material problems, a full account of the work already done to solve them and a vigorous argument for the integration of Europe . . . not a semi-autarkic Little Europe, but an outward-looking unit fit to co-operate with the British Commonwealth in the development of backward countries, which the author regards as the world's major political problem. The book suffers only from a surfeit of figures in the text; an inability to spell Barclays Bank; and an allusion to "un anglais [sic], Sir Boyd Orr."

M. Philip's central thesis is that the United States is not, and probably cannot be, the world's economic leader in the way that Great Britain was in the liberal nineteenth century, when the London money market was respected as a "supranational authority." For seventy-five years the British regularly invested 8 per cent of their national income overseas with the result that British (private) investment abroad is estimated to have totalled £3,763 million by 1913. The United States has never even set out on this road. Before 1939 American private investment in Europe consisted chiefly of minor medium-term loans of an unconstructive character. American private investment abroad between 1949 and 1951 amounted to only \$2,500 million against \$142,500 million at home. In spite therefore of the vast governmental allocation of \$25,000 million, largely in the form of gifts during the period which M. Philip applauds as the first serious attempt at planned supranational investment, it can hardly be said that the United States has yet tackled the basic problems of hunger and poverty in the densely populated, "new countries." The moral to be drawn is that Europe and the Commonwealth, themselves supported and in large measure militarily defended by America, should combine to invest in their own sphere, guaranteeing the associated or dependent people's markets by long-term contracts and supplying them regularly with machinery. This is the essence of the Strasbourg Plan of 1952.

M. Philip's section on the European Coal and Steel Community does much to bring that sometimes rather mystical organism down to earth. His account of the operations of the international steel cartel (EIA) in the bad old days, and the extraordinary sacrifice of French industrial development which it entailed, offers a striking contrast with present supranational policy. M. Philip hails the coal/steel treaty as the greatest European accomplishment so far, in spite of doubts of the High Authority's capacity to eradicate cartels and of the effectiveness of its consultation with workers and consumers. One of the tasks of the High Authority, he says, should be to promote industrial democracy by training the workers to participate in the Community's organs. Only

when it has created a public opinion favourable to itself and become, through its accessibility, a "house of glass" is the High Authority likely to succeed.

M. Philip, the Socialist Protestant, seems very largely in accord with Christian-Democratic objectives in the matter of supranational organisation. He is all against "planification technocratique" on the national plane (which drowns the workers themselves in a bureaucratic ocean); and against the idolatry of the state practised by anti-clericals. His book is a plea for perseverance on the part of all supranationally-minded members of parliament, civil servants and experts who have been struggling for years against their national governments.

Spenser to Donne

THE SHAKESPEAREAN MOMENT.
By Patrick Cruttwell.

Chatto and Windus. 262 pages. 18s.

"THE 1590s brought about that deep change of sensibility which marks off the later from the earlier Elizabethans, which alters the climate from that of *Arcadia* and *The Faerie Queene* to that which welcomed *Hamlet* . . . and which found its other great poet in the person of Donne." A book beginning, as Mr Cruttwell's does, with this well-established critical commonplace, is likely to be better or worse according to whether it acknowledges the complexity or asserts the absoluteness of the revolution with which it deals. Some handing over of the governance of literature there undoubtedly was, but the facts lie buried deeply in formidable archives—in the whole body of a literature richer, stranger and often more teasingly ambiguous than any other period of English literary history has produced. Mr Cruttwell finds the 1590s intensely confused precisely because the handing over was then taking place.

New and old were deeply entangled, and all generalisations must be loaded with exceptions. But there was an old, and there was a new, and the task of criticism is to analyse and distinguish. This is very sound. Interest quickens when the writer continues:

Of all the poetry then written, none shows better what was really happening than the Sonnets of Shakespeare.

The Sonnets use a form which was above all the chosen form of the old, but their content belongs progressively with the new. The beautiful youth is closely associated indeed with a golden past, and he is celebrated at first in a lyrical mode, as part of a world in which nothing is questioned, criticised or analysed. But this tone does not hold for long:

As the sequence proceeds, the texture of the poems, though the subject remains the young man, shows a slow thickening, an increasing complexity. . . . An all-inclusive self-examination replaces or reinforces the narrow theme of love; self-disgust, self-contempt, self-reproach are the usual tones of this introspection. . . . They widen in scope, till every interest of the writer's life is brought within their reach: his dreams of social success and

bitterness at social failure, the problems and rivalries of his career as an author, his perceptions of the evils and injustices in society, his private anguish at growing old and his private fear of death.

Eventually we have such sonnets as the 151st, and have exchanged the sustained lyrical idealism with which the sequence opens for a complex poem ranging in fourteen lines from religious solemnity to bawdy mockery. "We have come, in fact, from Spenser to Donne."

The sequence of the Sonnets, if it were an isolated phenomenon, might be judged entirely a product of the poet's personal fortunes; in fact, it perfectly miniatures "a shift of thought and feeling in society itself." The dynamic of that shift Mr Cruttwell declares to lie in "a spreading and a sharpening of the spirit of criticism"; and it is the operation of this that he endeavours to analyse in the remainder of his book. In places he may be judged a little insensitive to the earlier Elizabethan spirit, and even—as in discussing the *Amoretti*—insufficiently aware that it held complexities of its own. Nevertheless he has made a distinguished contribution to the critical appraisal of a fascinating literary epoch.

Welfare Universities

OXFORD TRIUMPHANT.

By Norman Longmate.

Phoenix House, 190 pages. 16s.

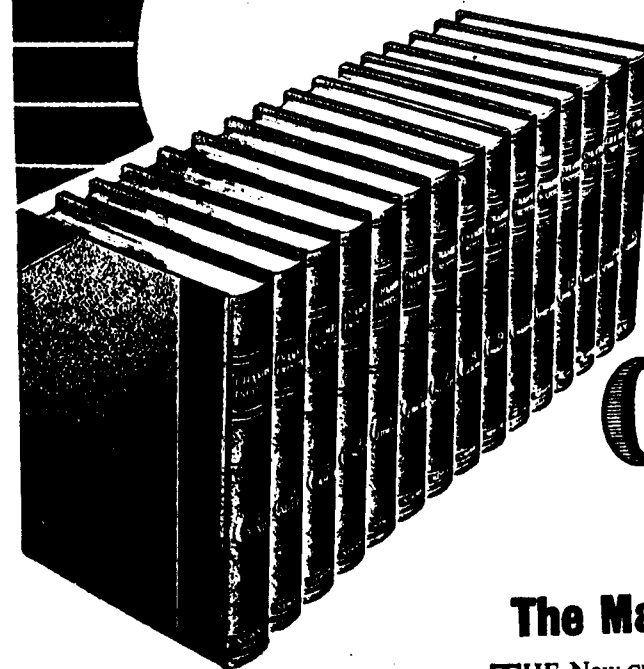
THE modern undergraduate has to some extent become the play-ball of political and educational theorists. Much sense, and even more nonsense, is talked about the effect on the older universities of dilution by public scholarships, stiffer entrance standards, state subsidies and the other egalitarian adjuncts of the welfare state; but the personal touch is often missing. For this reason a perceptive account of postwar conditions and attitudes written by a newly fledged graduate would have been welcomed.

Unfortunately, this book, which sets out to give the reader a worm's eye view of the postwar university fish in his post-war water, is distorted, garish, and often in bad taste. The author has adopted the method of describing the different facets of Oxford life one by one—dons, sport, societies, theatre and so on. He has tried to save himself from the fate of dullness that often befalls descriptive guidebooks by spicing his piece heavily with exaggeration, prejudice and sheer fantasy. Dons are described as a lot of useless old lazybones, and the supposed orgies of a bump-supper night (pictured in a rather nauseating tone of self-righteousness) might have come straight from the pages of Mr Evelyn Waugh.

No one, of course, will be taken in by this silliness, but it is a pity to see a good opportunity missed. It is possible, for example, to delve deeper into the religious problems of the modern undergraduate than by digging up an old questionnaire issued a few years ago by the magazine *Isis*. A subtler and more tentative approach would have yielded better results than the methods adopted in this opinionated and sometimes inaccurate book.

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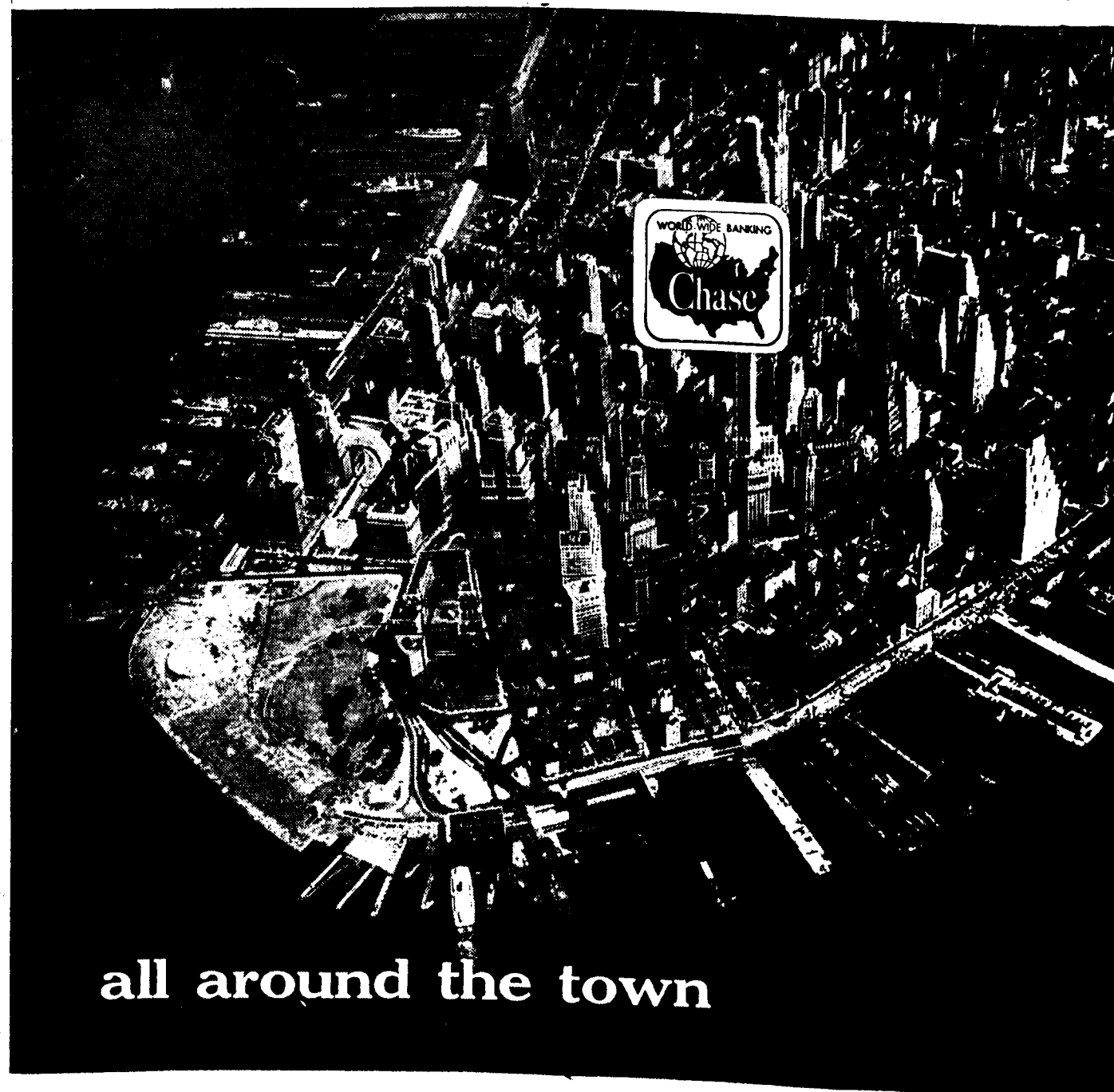
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American Survey

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The McCarthy Drama

Washington, D.C.

WHEN, last November, President Eisenhower announced to the nation that he hoped that Communism in government would not be an issue in this year's elections, there were smiles of polite disagreement behind the doors of the Republican National Committee and even in some offices at the White House. As the President exerted his leadership in other fields throughout December, the professional politicians privately made it clear that they considered the "softness" of previous Democratic Administrations towards Communism far too valuable an issue thus lightly to discard. They would keep both it and the Administration's record on the stage, and emphasise whichever seemed the more useful as the election drew nearer. The drama of the last three weeks has been a commentary on the disastrous consequences of this opportunism and of the President's failure to enforce his view within the party.

The prologue to the performance was the chorus of "twenty years of treason" sung by Senators McCarthy and Jenner and other Republicans while on tour in February. The first act began with Senator McCarthy's attack on General Zwicker, and then on the United States Army as a whole, for the handling of the case of Major Peress, and ended with the humiliation of the Army's unhappy Secretary, Mr Robert Stevens. As the evidence is gradually unravelled it becomes increasingly clear that Mr Stevens was not the victim of a cool and deliberate decision by the Administration that the Peress case did not provide firm enough ground on which to join battle with McCarthyism; he was the casualty of a political stampede away from the effect which his courageous defiance of the Senator would have had on the façade of unity which the Republican party is still fighting desperately to maintain. Owing to a mixture of ill luck and ineptitude, the firm support of the President, which alone would have enabled Mr Stevens to resist the political pressures applied to him, was not forthcoming in time to prevent him from walking into the trap, prepared by Senators Mundt and Dirksen, of a private meeting with Mr McCarthy.

The official explanation that the Peress case was a bad issue on which to fight was a hasty afterthought. For one thing Mr Stevens had never intended to fight Senator McCarthy on the Army's handling of this particular case, but on the principle of civilian responsibility for the actions of the armed forces, and on the Senator's abuse of General Zwicker. For another, the Army did have a reasonable defence for its decision to commission and promote Dr Peress as a dental officer, although he had refused to answer

a questionnaire on his loyalty. An amendment to the conscription legislation passed last summer specifically requires that medical conscripts "shall" be appointed to ranks commensurate with their experience, and there has been a Supreme Court ruling castigating the Army for denying a commission in a similar case.

★

The curtain for the second act rose upon a crowded house for the President's press conference ten days ago, after a torrent of speculation about what he would say to redress the honour of his own service, and growing criticism of the handling of the McCarthy-Stevens controversy. Across the river in the Defence Department spirits were low and tempers high. When Puerto Rican Nationalists discharged a blast of gunfire into the House of Representatives, many army officers, reversing the usual Republican defence of Mr McCarthy, said that they agreed with the methods but not with the objective.

In this atmosphere the President's statement came as a leaden anticlimax. It began defensively and continued with a dubious assertion that the conscience of America "is reflected in the body of the United States Congress." Its only substantive declaration was that government officials would have the President's support in seeing that their subordinates were not bullied by congressional committees. Fortunately for Mr Eisenhower, Senator McCarthy replied almost within the hour with a series of remarks so insolent that the President could hardly let them pass. The Senator called the whole controversy "a silly tempest in a teapot" and specifically opposed the President's appeal for fair treatment of witnesses. "If a stupid, arrogant or witless man in a position of power appears before our committee and is found aiding the Communist party he will be exposed." As the *Washington Post* commented the next morning,

Senator McCarthy's arrogance may yet save President Eisenhower from the worst consequences of his own timidity. . . . His challenge gives Mr Eisenhower another chance to substitute leadership for the weaseling of yesterday.

The comments of many other newspapers followed the same line of reasoning, which was strengthened by the President's firmer stand at his press conference this week.

While this sorry drama was bringing catcalls from the critics, two sideshows were in progress. One was a juggling act in which the famous 2,200 subversive officials whom the Republican Administration was supposed to

have removed from government jobs since it came to office became 383 people who had left the government service and against whom there had been unproven charges of subversive activities. Even so the Civil Service Commission could not make its totals square with the figures published by the individual departments. The other was more serious. As Mr Dulles departed for the Caracas Conference to warn the Latin Americans of the dangers of Communist infiltration, the State Department announced that Mr Scott McLeod, Mr McCarthy's agent within its walls, had been relieved of his responsibility for its personnel and would henceforth be concerned only with its security. As the Defence Department's morale went down the State Department's went up, for this was a direct blow at Mr McLeod's position. He had loudly and publicly maintained that responsibility for security and personnel could not be separated, and there was an automatic reaction from Senator McCarthy.

★

The third act has not yet been performed, and no one can say whether it will provide tragedy or low farce, nor for whom. The official explanation of the President's general condemnation of sin ten days ago is that it was thought to be essential that he should make clear the grounds on which he would fight Senator McCarthy when the next challenge is presented. But it hardly seems to have achieved its purpose. The crucial question is whether the Senator will continue to pick over the bones of the United States Army or will now turn on Mr Dulles, against whom the McLeod case is only one of a number of grievances. Mr Dulles has recently shown himself to be a more skilful and more doughty opponent than the President, a judgment that would have been inconceivable a year ago. If Mr McCarthy decides to stay clear of the State Department, it will be a sign that he does recognise the limits of his strength. If not, Mr Dulles—apparently convinced by the cold reception of the Republican right wing to his handling of the Berlin Conference that it is a waste of time to try to be a popular Secretary of State—will almost certainly offer a resistance which may at long last draw the reluctant White House into battle.

There are as yet no clear indications of just how much harm the President's handling of McCarthyism in recent weeks has done to his standing in the country. Certainly the exposition of the lengths to which the Republican party leadership is prepared to go to maintain the appearance of a united party has chilled a great deal of the enthusiasm which went into the Citizens for Eisenhower, Democrats for Eisenhower and the Young Republicans eighteen months ago and provided the margin of victory over Mr Stevenson. The President has disillusioned a vast number of Democrats and independents who voted for him, partly in the belief that he could control Mr McCarthy as a Democrat could not, and partly in touching faith that he could stand above considerations of electoral and party interest.

But events are showing that the strategy of using Senator McCarthy for what advantage he can bring is based on another fallacy, that the only way the Republican party splits is by a defection of the right wing. The alarm and even fury of liberal Republicans, particularly of a number of respected figures in New York and elsewhere who are heavy party contributors, should be a reminder that Republicans can also defect from the other wing. This is

perhaps proved by the advice of *Time* magazine, which can hardly be said to be indifferent to the fate of the Eisenhower Administration:

Republicans and Independents can get disgusted enough to vote Democratic next fall. But where can McCarthy's followers go? Politically Joe is expendable, and the time to spend him appears to have come.

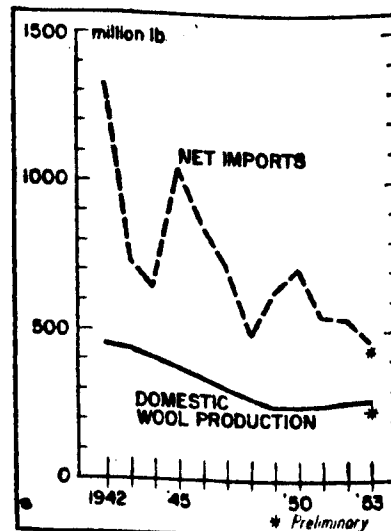
For the moment Mr Adlai Stevenson's intervention last Saturday has given the Republican party a chance to salvage part of its honour. In his speech to the southern Democrats gathered in Miami Mr Stevenson said, with unforced wrath, that "a group of political plungers has persuaded the President that McCarthyism is the best Republican formula for political success." This speech surprised and displeased many Democratic politicians, who felt that the Republican party should be left to wash its own linen, in public at least, but it gave the chairman of the Republican National Committee and the White House a cast-iron excuse to sidetrack Mr McCarthy by demanding free radio time so that the Vice-President, Mr Nixon, and not the Senator might reply on behalf of the party. By touching Republicans on their sorest spot with a scalpel which he can sharpen to a keener point than any other American politician, Mr Stevenson seems to have goaded the party into action. The result may not benefit the Democratic party but it certainly should benefit the prestige of the United States.

Subsidies in Sheep's Clothing

FROM A CORRESPONDENT IN COLORADO

SHEEP farmers are somewhat reluctantly supporting the President's proposals for a limited subsidy on wool, although they say frankly that they would have preferred an increase in the tariff. American wool production has fallen substantially during the past ten years and the growers naturally tend to blame the Reciprocal Trade Agreements Act. The President, however, has turned down the recommendation of the Tariff Commission for the addition of a fee—thought to have been 10 cents—to the present tariff of 25½ cents a pound.

The President pointed out that Congress was already considering a new scheme for wool, and that the benefits from an increase in the tariff would be far outweighed by the damage it would do to international trade and the common defence effort. Mr Benson, the Secretary of Agriculture, has firmly opposed more protection, on the ground that this would offend Australia, Argentina, and South Africa, and cause them to reduce their purchases of American goods. He is convinced, moreover, that any increase in the price of wool would simply encourage further inroads by the synthetic fibres.



Wool prices are now supported at 90 per cent of parity, that somewhat mythical figure that is supposed to assure the farmer a fair return. For 1953 the average support price was 53.1 cents a pound of raw or uncleaned wool, and for 1954 it will be 52.1 cents. The Commodity Credit Corporation loans the grower money on his wool at the support level; if the price goes up he can reclaim his wool and sell it, while if it falls he can leave it on the hands of the government, which absorbs the loss. This device has kept up the price of wool; it hovers just under the level at which it would pay the farmer to reclaim his clip. But although the CCC has been left holding a bag containing 100 million pounds of wool, the farmer has not been encouraged to expand his flocks.

The announced goal of the programme, which was first adopted in 1950, was a domestic production of 300 million

"Ah, It Smells Much Sweeter Now"



Herblock in the Washington Post

pounds of shorn wool a year. But it is now clear that this figure is never likely to be attained. The numbers of sheep, which were estimated ten years ago to total 50 million, have slowly fallen to about 28 million, and domestic production of shorn wool, at 230 million pounds last year, provides only about a third of America's annual consumption. (A small amount of "pulled wool" is also obtained from slaughtered sheep.)

It was no surprise, therefore, that the Republicans should consider it imperative to work out a new scheme for wool, but the nature of the programme has caused some lifting of eyebrows. Mr Eisenhower suggested that wool be permitted to find its own price level, buoyed up only by the present tariff on imports. At the end of each season, however, the government would distribute among the

growers a sum sufficient to bring their average return on each pound of wool to 90 per cent of parity. More recently, a figure of 100 per cent or more of parity has been mentioned as necessary to provide an adequate incentive. The money would be taken from general revenues, but would not exceed the amount of the unpledged receipts from the wool tariff.

Democrats rubbed their eyes and then delightedly pointed out that this is fundamentally the same plan which the Republicans howled down when Mr Benson's Democratic predecessor, Mr Brannan, suggested it. Mr Brannan's proposal was that the prices of all perishable farm products should be allowed to find their own level, to the benefit of the consumer, and that producers should be compensated later by direct payments from the Treasury. Even Mr Brannan never suggested this for storable commodities. Furthermore, the Democrats asked, had not Mr Eisenhower himself, in his election campaign, promised that the Republicans would solve the farmers' problems without "recourse to the moral bankruptcy of the Brannan plan"?

Opinion, particularly in the middle west, seems to be that the plan put forward for wool is also well suited to cure the ailments of other branches of the livestock industry. Mr Brannan, supported by Mr Kenneth Galbraith, the Harvard economist, has pointed out that it might be applied to butter, which, under the present support programme, is going into the government store at the rate of millions of pounds a week.

★

More political fun will be had by the Democrats when the wool Bill sponsored by Senator Aiken and Representative Hope, chairmen of the Senate and House agricultural committees, on which hearings have now been completed, reaches the floor of Congress. It embodies the President's proposals, but would limit the amount to be divided up among sheep farmers to about 70 per cent of the receipts from the wool tariff.

One objection raised by the growers, although they are not pressing it, is that since wool prices vary during the year, but the subsidy on each pound of wool would be fixed, some growers might ultimately receive several cents a pound more than others. Pulled wool and mohair or goats' wool, which is grown chiefly in Texas, would be included in the programme.

The real difficulty with this latest plan to expand American production of wool is the same one which has handicapped its predecessors: the reluctance of the industry to improve its own antiquated and uneconomic organisation. The woollen processing industry established itself on the eastern seaboard early in American history, and remains there although the Great Plains and the Rocky Mountains, 1,500 to 2,000 miles away, proved to be better adapted for raising sheep. Wool is shipped east in the raw or "grease" state and ranchers who have to pay the freight on millions of pounds of useless dirt have difficulty in meeting foreign competition. Meanwhile the railways, in order to meet water-rates from the west coast, send Australian wool trains roaring across the continent for no more than they charge to carry American wool to Boston from the ranches of Montana or Wyoming. If the new plan can build up domestic wool production despite these self-imposed disadvantages, it will have achieved a miracle.

American Notes

Best Tax Foot Forward

THE House Ways and Means Committee has completed a year's work on tax reform, but it was a Bill dealing with excise taxes which was given priority and which the House passed so expeditiously this week. This measure continues the high rates on tobacco, alcohol, petrol and automobiles which were voted three years ago to help finance the Korean war; if they were to lapse, as they are automatically scheduled to do on April 1st, the cost to the Treasury would be nearly \$1.1 billion a year. Most of what the Bill gives, however, it also takes away. The reduction of all other rates of excise to a flat 10 per cent—on telegrams and transportation, jewellery and furs, cinema admissions and electric light bulbs—will cost \$912 million a year. The net gain to the Treasury is a mere \$165 million.

Despite its protests that such largesse will add nearly \$1 billion to the prospective budget deficit of \$2.9 billion in the year beginning next July, the Administration appears to be resigned, as the President himself said, to taking "quite a lot of castor oil with the sugar coating." It has no choice but to hope that the House leaders are right in believing that by giving priority to reductions in excise taxes, the Republicans can take the steam out of the Democrats' demands for more costly increases in personal exemptions.

For similar reasons of strategy, the extension of the 52 per cent rate on corporation incomes, which brings in \$2 billion a year, has been added to the tax reform Bill. This may help to give an air of impartiality to a Bill which the Democrats attack as relief for "coupon clippers"; they would like to substitute for its relief of double taxation on dividends an increase in the personal exemption, which directly benefits the lower income groups and would encourage them to spend more.

The Administration will probably be lucky if, in an election year, tax relief costs it only \$1 billion. The danger that all these carefully laid Republican plans will go awry is particularly acute in the Senate, where the Democrats have an actual majority, and where Senator George's support has made tax relief on a substantial scale look respectable even to conservatives. A number of Republicans, moreover, are reluctant to let the Democrats take all the credit both for lowering taxes and treating the recession seriously.

Allies May be Excused

ALTHOUGH it was perhaps to be taken for granted that the President would not allow the Battle Act to cut off aid to five of America's chief European allies, the announcement that they will be excused from the Act's penalties comes at a time when the political reactions to it have significance for the future of east-west trade. The

Act entirely prohibits military or economic assistance to any nation which delivers arms to Communist countries but, when only strategic materials are involved, the President is allowed to continue assistance to the erring ally if he considers that it would be detrimental to the security of the United States to cease giving aid.

Obviously it would be detrimental to the North Atlantic Treaty Organisation, and therefore to the security of the United States, to stop military aid to France, Italy, Norway, Denmark and Britain just when shipments of arms are at their height. Of the \$7.7 billion worth of weapons and equipment that have been delivered to allied countries in the four years since the military assistance programme began, nearly half was sent in 1953, and \$6 billion worth has gone to Western Europe. Purely economic aid to that area is becoming negligible, and has already ceased entirely to Denmark and Norway, although for some time Europe will continue to earn dollars through military contracts, which are expected to yield \$500 million in the current year.

The five allies who have sent strategic goods behind the iron curtain are all co-operating in Nato's committee on trade controls and the objectionable deliveries, mainly of machinery and raw materials, are either to fill contracts entered into before the Battle Act was passed, or part of a two-way trade exchange which should on balance benefit the free world. The first applies to the most serious infringement, Denmark's sale of a tanker to the Soviet Union, and the second to Norway's shipment of aluminium to the Soviet Union under a 1953 barter agreement.

As dollar aid to Europe decreases, there can hardly fail to be an increase in the number of exchanges with the Soviet Union and its satellites which will benefit the free world, for most of the free world has to trade to live. The American Administration has for some time recognised the desirability of more east-west trade and has been fostering a congressional atmosphere favourable to more flexible regulations. This takes time in a country in which foreign trade is a luxury rather than a necessity, but an encouraging reception was given to Sir Winston Churchill's recent speech urging a relaxation of the restrictions on trade with iron curtain countries; his exception of Communist China from his recommendations was most welcome in America. It will be even more encouraging if Congress accepts without serious protest the President's excuses for the allies who have sinned against the Battle Act.

Ins and Outs

MR JOHN KANE, special assistant to the Secretary of the Army, left no doubts last week about his reasons for resigning. But Mr Roger Kyes, the Deputy Secretary of Defence, whose place is to be taken by Mr Robert Anderson, now the Secretary of the Navy, has denied that his resignation had any connection with the Administration's failure to reinforce the Army in its clash with Senator McCarthy. If this is so, and there is no evidence that it is not, the question still remains whether the government can be run in peace time by businessmen on short-term leave.

It was the Republicans' proud boast that they would put the best business brains at the service of the country, but

few are content to stay for long. Mr Kyes apparently never meant to remain more than a year, and is staying until May 1st only because the Secretary of Defence finds him so valuable. The Secretary of the Army, it is believed, meant to return to his textile company before long; now, of course, his sudden departure would embarrass the Administration. A few days ago, it was announced that Mr C. D. Jackson, special assistant to the President on psychological warfare, would return to Time, Incorporated, at the end of the month.

It is not surprising that men who have made their mark elsewhere—Mr Kyes was vice-president of the General Motors Corporation before he went to Washington, and Mr Jackson was the publisher of *Fortune* magazine—hanker to get back to their old pursuits, particularly when the government demands such sacrifices of them. Mr Kyes was compelled, like Mr Wilson, his chief, to sell all his General Motors shares, and Washington salaries are only a fraction of what such men can earn outside government.

Yet it is widely believed that newcomers to Washington take nearly a year to find their way about even a corner of the federal machine. By the time they become really efficient, their turn of duty is too often up. This situation may be the fruit of the Republicans' long exclusion from government service; it was the Democrats who were in power when a federal career became not only respectable, but exciting, for many young people. The fact remains that the Democrats, perhaps because they do not have such lucrative or important private jobs to return to, take a more professional view of their politics.

Strangling New York

THIS week's unauthorised but well-organised strike of New York longshoremen is only another of the stoppages which are to be expected as long as the dispute goes on over which trade union shall represent the dock workers. The dispute itself arises out of the attempt to clear the waterfront of the corruption and racketeering which have been slowly strangling the commerce of the port. According to the new Democratic Mayor, Mr Wagner, the city as a whole is being strangled by the meanness of the state authorities. Like his predecessors, he has been trying to persuade the Republicans who are in power at the state capital to fill the hole in the city's budget, but they naturally have no objection to seeing a Democrat in difficulties. They have already approved Governor Dewey's budget, nicely balanced at \$1.1 billion, and they are in no mood to upset it on Mr Wagner's behalf. All they offer is advice on how to economise—he says this can only be done by denying city employees the salary increases which have been given to state employees—and perhaps permission to increase some city taxes.

If he is allowed, Mr Wagner is willing to impose higher real estate taxes and a corporate income tax—which would fall on Republican businessmen. Even so, he would have liked an extra \$145 million for the city from the state this year, and a promise of more to come. This sum very conveniently matches the \$143.4 million which, it is argued, would be due to New York City if the state distributed its

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THE ECONOMIST, MARCH 13, 1954

grants fairly. Of the \$614 million to be divided this year among local authorities, New York City will get only about \$260 million, although it is responsible for over half of both the state's revenue and the state's population. A particular point is made of the claim that over 40 per cent of the state's schoolchildren live in the city, but that it gets only 30 per cent of the total allotted by the state for education. Most of these arguments have been countered by a special state committee on the subject; where inequities are undeniable the Republicans blame them on formulae established when the Democrats governed the state. Additional state grants to the city would, it is said, mean additional state taxes and the Republicans of course prefer to make the Democratic Mr Wagner use the unpopular taxing authority, on overnight parking of cars, for example, which he still has in hand.

As always, the thread on which these arguments are strung is not economic but political. This is especially noticeable this year, when the governorship is to be contested in November, but, somewhat surprisingly, this has made Mr Dewey unusually sympathetic, in word if not in deed, to the financial problems of New York City and its citizens. For his position in the state has been weakened by scandals involving Republicans—the latest is now coming out through an inquiry into the management of race tracks; whether or not Mr Dewey himself decides to run again, his party will need every vote it can get.

A Piggy-back in a Poke?

New York

IT is a little surprising to find the head of the teamsters'—or lorry drivers'—union endorsing a scheme by which a motor transport firm would bring fully loaded trailers, 240 to a ship, hundreds of miles up the Atlantic coast by sea, without drivers, instead of attaching them to lorries. Something of the sort has, however, been done for some time on the west coast and on the Hudson and Mississippi Rivers; the union argues that the combination of low-cost water transport with the flexibility of door-to-door delivery would divert traffic from the railways and mean more jobs for lorry drivers in the long run. The rising cost of road transport is already reducing the competitive advantage of road over rail and it may be further reduced if anything substantial comes of the increasing interest being taken in another form of integration—lifts for lorries not on ships but on railway wagons. These "piggy-backs," or "trailers-on-flat-cars (TOFC)", although by no means universally accepted in the best railway society, have now become a major preoccupation of the railways, road transport companies, trade unions and railway equipment manufacturers.

The basic operation, already tested in a number of small-scale demonstrations, is a simple one. Freight is collected from the shipper in a lorry-drawn trailer; the entire trailer is backed onto a railway flat-car at the nearest railway station and taken for a train ride; and at the receiving depot another lorry is waiting to take the trailer, intact, to the consignee. By this means, it is claimed, the railways gain by the fuller utilisation of equipment, and by cutting handling costs; the road transport companies save on wear and tear and ever-mounting highway

taxes, and avoid the expense of extra crews for long distance road journeys; the shipper and customer get a faster and cheaper service; the general public benefits through a reduction of road congestion; and the General Motors Corporation can hope not only to bolster the profits of its Electro Motive Division by turning out more railway flat-cars and terminal equipment, but also, in the long run, to sell more automobiles.

To the railways piggy-backs mean a chance to lure back some of the traffic that they have been losing so heavily to the roads over the past decade. This could be achieved either by encouraging independent highway common carriers to use the railway flat-car service, or by extending the existing railway collection and delivery services to perform the entire operation from door to door, thus using piggy-backs as an offensive weapon against the motor transport companies rather than to the benefit of both. The opponents of piggy-backs within the railway managements claim that the introduction of special charges for this type of traffic would merely result in the diversion of existing rail traffic to piggy-backs, bring down the entire structure of railway tariff rates, and offset any gain from the roads.

This argument is only one of many uncertain features about piggy-backs. Another is the legal aspect, particularly as regards the maintenance of fair competition between various forms of transport. Meanwhile the economics of piggy-backs have taken a favourable turn with the development by the railway equipment manufacturers of new types of flat-car, long enough to load two normal-sized trailers, whereas existing flat-cars will only take one. Also envisaged are new terminal facilities, and the employment of hydraulic lifts to permit trailers to be loaded sideways on flat-cars, thus eliminating the tiresome and time-consuming "circus-fashion" end loading which has been necessary so far. Faster-than-normal freight trains made up entirely of piggy-backed trailers on flat-cars will probably also be necessary. But in any event a major shake up of the railways' tariff structure appears inevitable, and a lower cost of transport may well be the result.

SHORTER NOTES

Senator George's proposed constitutional amendment, a milder version of Senator Bricker's attempt to restrict the treaty-making powers of the President, has been dug up at the last moment after it appeared to have been buried for this session, if only by one vote. It is a Democrat, Senator Lennon of North Carolina, who has revived the issue, in the hopes that the narrow margin can be reversed when Senator Bridges, who is known to favour the amendment, and Senator Symington return from their European tour. Senator Symington, who is a possible presidential candidate, will have a chance to show his metal: if no Senator changes sides, he will have the deciding vote.

★

President Eisenhower has appointed a Negro, Mr J. Ernest Wilkins, to be Assistant Secretary of Labour in place of Mr Spencer Miller, who has resigned. This is believed to be the first time that a Negro has been appointed to so high a post in the federal government.

The World Overseas

Greece After Devaluation

IT is no longer possible to complain that the Greeks take no steps to put their economic house in order. The drachma has been devalued by 50 per cent. Almost all import restrictions have been removed. An effort has been made to bring down production costs by lowering the maximum interest rate from 16 to 12 per cent. The formidable task of cutting down the cost of the Civil Service has been begun—but by no means finished. The budget has been balanced, if only precariously. These steps, which have all been taken since Marshal Papagos's Greek Rally was swept into office fifteen months ago, have had a good deal of success.

The devaluation, carried out last April, has produced valuable dividends in the shape of higher earnings from both visible and invisible exports. During the first eleven months of 1953 the visible adverse balance of trade dropped from \$210 to \$151 million. The value of exports was \$116.4 million, and that of imports \$267.0 million, an increase of 9 per cent in exports and a decrease of 15 per cent in imports compared with the same period of 1952. A bumper harvest which made Greece almost self-supporting in cereals, contributed towards this improvement; in 1950 the country had to spend roughly \$40 million on imported cereals. No official figures are yet available for invisible exports since the devaluation, but the government may not be unduly optimistic in estimating that they will increase from \$80.6 million in 1952-53 to \$84 million in 1953-54. After the devaluation, the foreign currency which had been held back because of the unfavourable rate of exchange poured into the Bank of Greece. This will not happen again, but emigrants' remittances have increased considerably and last summer Greece's still infant tourist industry enjoyed something of a boom.

Internally, the devaluation has certainly led to some increase of confidence in the currency. The price of the gold sovereign, which in Greece is always a reliable barometer of public confidence, rose after devaluation by 66 per cent to about 300,000 drachmas; this was not as steep a rise as might have been expected, and the sovereign was kept at around this price until the end of the year. (Since Christmas it has risen again and this has caused some uneasiness in Athens; the Bank of Greece recently intervened to bring it back to 312,000 drachmas.)

The cost of living has risen, but the increase has so far been kept within reasonable bounds; according to the Bank of Greece index, by the end of the year it had risen by 18.9 per cent from its pre-devaluation level. Wholesale prices have gone up by about 30 per cent and retail prices, which were controlled by the government, by about 15

per cent. But here there may well be trouble ahead. The large stocks of foodstuffs and raw materials which the government had the foresight to lay in before the devaluation, at the old prices, will not last for ever. Moreover, apart from a temporary cost of living bonus of from 7 to 12 per cent of wages and salaries, awarded last July, the government managed for the first ten months after devaluation to avoid any general increase in wages. Early last month, however, it agreed to an increase for the Civil Service of 25 per cent for the lower grades and 20 per cent for the middle grades. This is bound to be followed by similar increases in industry, commerce, the banks, and possibly in agriculture as well; and a steep rise in prices can hardly be avoided, although it may not be equal to the wage increases. Already the opposition press is condemning the limited scope of the new step; according to one newspaper, the government's policy is turning it into "not merely the fellow-traveller, but the hod-carrier of Communism."

Mr Markezinis, the able Minister of Economic Co-ordination, has other important problems to tackle if progress towards economic expansion and financial stability is to be maintained. He is still committed to an immensely heavy defence budget, 40.6 per cent of the total budget. Even if Mr Canellopoulos, the Defence Minister, now on a visit to Washington, succeeds in wringing more military aid out of the Americans—and he can make out a good case for it—or even if Marshal Papagos should carry out his threat to reduce the size of the army, Greece's defence budget is still likely to remain disproportionately high. Economies have been made in the vastly over-blown Civil Service, but they are not yet nearly drastic enough. Measures to combat the extremely widespread tax evasion have been introduced, but like their predecessors they are not yet nearly effective enough. Indeed, the whole tax structure needs to be reorganised; at present indirect taxes which fall most heavily on the poorer classes account for about three-quarters of total tax receipts.

Above all, Mr Markezinis must somehow find means of closing the trade gap and this at a time when American aid is being drastically reduced and is scheduled to cease altogether in 1956. In 1948-49 Greece received over \$273 million from the United States, in 1951-52 \$150 million, and in the current year it is only getting \$21 million. It may turn out to be a grave misfortune that foreign aid should dwindle just when Greece has at last acquired a stable government able to use it to the best advantage. Mr Markezinis has drawn up an ambitious three- to five-year development plan covering irrigation and flood control; hydro-electric projects; and the development

of basic industries designed among other things to exploit Greece's deposits of bauxite, nickel-bearing iron ores and magnesium, and to expand the production of nitrogen fertilisers. The total cost of the programme is \$235 million, of which it is planned that \$131 million should be in foreign exchange; but Mr Markezinis estimates that when complete it will narrow the trade gap by \$90 million annually.

The trouble, of course, is to find the wherewithal to finance this ambitious development plan. Last summer Mr Markezinis made a grand tour of the United States, Canada and Western Europe in search of foreign currency. His visit to London was largely a failure. From Washington and Ottawa he seems to have secured only a promise that a mission from the World Bank should visit Greece. But he came away from Paris, Bonn and Rome apparently with contracts for the supply of capital equipment on long-term credit to the value of \$15, \$60 and \$15 million respectively. These contracts caused much jubilation in Greece, but there now appears to be some danger that Mr Markezinis was counting his chickens before they were hatched. Last Saturday Mr Markezinis announced that a domestic loan for 300,000 million drachmas would be floated next June; it will be used to finance long-term economic development projects. The government's best bet however is probably a loan from the International Bank. But if it is to get this it must do something about the foreign debt which has been in default since 1932 and now amounts to some \$260 million. This no doubt is why it has announced its intention of setting up three committees to study the matter.

It is obvious that there is a testing time ahead for the Greek government. Even if Mr Markezinis can put his development plan into operation and it works out as he would wish, it cannot begin to yield dividends until 1956. Meanwhile he must work towards closing the trade gap and developing Greece's productive resources as best he can. The trouble is—as the ECE's Survey for 1953 points out—that in order to achieve the first aim he may be forced to employ a more restrictive monetary policy than is compatible with achieving the second. It is, indeed, hard to see how a serious economic—and hence political—crisis can be avoided without substantial further foreign aid.

France's Worker-Priests

THE dispute between the Catholic Church and its eldest daughter over the worker-priests has evoked a strong echo even outside the family circle. It is a tribute to the importance of the Roman Catholic Church that any dispute within it is likely to be scrutinised almost as intensely as a quarrel in the Kremlin. The affair of the French worker-priests, however, may have been over-dramatised since the Vatican's interference has provoked the resentment of the most articulate group among the French Catholics, the intellectuals and writers. It is exciting but rash to represent these differences as a revival of the old tug of war between the Vatican and the Gallican Church and to speak of an impending schism. On the other hand, the problem of the worker-priests undoubtedly goes to the heart of the most vital issue that the Church must face in the twentieth

century—its relationship with the labouring masses which find themselves outside the pale of Christianity.

The French experiment, which the Vatican now tries to limit within defined narrow frontiers, began some twelve years ago when two young abbés published a book describing France as a land in need of missionaries to penetrate the 8 million-strong "heathen world" of the factories. With Cardinal Suhard's backing a *Mission de France* was founded at Lisieux, soon to be followed by a *Mission de Paris*. Both seminars prepared priests to work and live with the labouring classes. The idea behind this venture was the simple one that, in order to recover the lost souls of the forgotten men, it was necessary to get on terms with them as individuals; the missionary must contrive to become accepted as an equal by the dechristianised masses whom he was trying to convert; he must cease to be part of a different order, cease to be one of "them."

The venture had its risks and among the priests labouring and living with the workers many have joined in the political struggle of their brethren and a few have defected to Communism. This unfortunate example was given publicity on the occasion of the anti-Ridgway riots in Paris two years ago, when among the arrested there were some worker-priests. During last year's strikes, too, in several regions priests expressed their solidarity with the strikers. For some time warnings have been pouring into the Vatican that the Communist Manifesto was becoming the new gospel of the worker-priests; as early as 1951 French bishops were ordered not to increase their numbers.

Barrier of Mistrust

The Vatican's remedy, now obediently if not wholeheartedly endorsed by the French hierarchy, was to insist that worker-priests must fish for souls with a shorter line; they must work no more than a given number of hours a day and no longer be so far removed from their religious communities and spiritual supervisors. The accent is to be on the priest rather than on the worker. The Church authorities maintain that this is no more than a matter of adjustment in an admittedly difficult situation. On the other hand the opponents of the Vatican's policy argue that the new regulations strike at the root of the whole experiment since "visiting" priests will not be able to break the barrier of mistrust among the often anticlerical masses and without "naturalisation" they will not even get a hearing. Indeed, it is hinted that in forbidding full time participation in the workers' life the Vatican implicitly accepts the Marxist premise that one's outlook is really determined by the conditions of life and labour.

The anxious protests to which the new course has given rise in many Catholic quarters are both sincere and moving, but a breach within the Church is unlikely. It is not yet known how many worker-priests will defy the ultimatum to accept their new status, but for the Roman Catholics there is no salvation outside the Church and a splinter group has little chance of survival. It is on the political stage that the present quarrel may have grave repercussions. In the inter-war period the threat of Gallikanism came from the nationalist right-wing connected with *l'Action Française*. This time the outburst against the Vatican was strongest among left-wing Catholic circles. True, Dominican intellectuals have expressed their sympathy and M. Francois Mauriac has written beautiful pages of restrained indignation in the undoubtedly respectable

Le Figaro, but the main backing for the worker-priests came from the very same groups which are protesting against the swing to the right of the Catholic political party, the MRP. Both the MRP and the worker-priest movement were born out of the Resistance at a time when many thought that the Catholic movement would prove the vanguard of social progress. They now accuse the Church and its political party of betraying its mission.

Clearly the Roman Catholic Church, like most bodies, has its conservative and its liberal wings and it looks as though the conservative traditionalists have gained a point or two at the expense of their more progressive and adventurous colleagues. Meanwhile the problem which gave rise to all this remains: the problem of offering the very poor something more attractive than Communism. While it is for the Church to decide the best possible way for it to proceed, outsiders have a stake in its success or failure. The Abbé Godin, one of the founders of the worker-priest movement, proclaimed: "They (the Vatican) are at the brakes. We are the engine. The two are needed. . . ." It remains to be seen whether the machine can still move forward with the newly tightened brakes.

China's Agriculture—II

Tasks for the Transition

THE Chinese government does not hide the fact that in the long run it wants to establish large-scale collective agriculture side by side with large-scale industry. But China is still in the "transitional" period, and the relatively modest plan of collectivisation is due not only to the fear of peasant resistance but also to the immensity of other tasks facing the government in the countryside. In the immediate future the primary task is to expand agricultural production rapidly so as to satisfy the growing needs of industry and the urban population; to extend the area under cultivation through irrigation and other forms of land reclamation; to step up the supply of agricultural equipment and experts. In the meantime, while the ground is thus being prepared for further reforms and industrial outlets provided for surplus labour, the Chinese rulers hope to control the countryside through taxes and through the new state monopoly of the grain trade.

It is not easy to get a clear picture of agricultural development from the maze of official claims expressed in percentage increases over unspecified prewar years. On the whole it would appear that production has now recovered its prewar level. Official estimates of total grain production are given in the following table; last year the crop was apparently about the same as in 1952.

TOTAL GRAIN PRODUCTION (Million tons)

1949	1950	1951	1952
127	148	158	163

The rice crop has apparently reached the prewar peak of 52 million tons, while the wheat harvest has exceeded its prewar record of 22 million tons. The biggest achievements, however, are claimed for cotton production, which is said to have climbed from 400,000 tons in 1947 to 1.3 million tons in 1952 and 1.5 million tons last year—nearly twice as much as before the war. The cultivation of soya

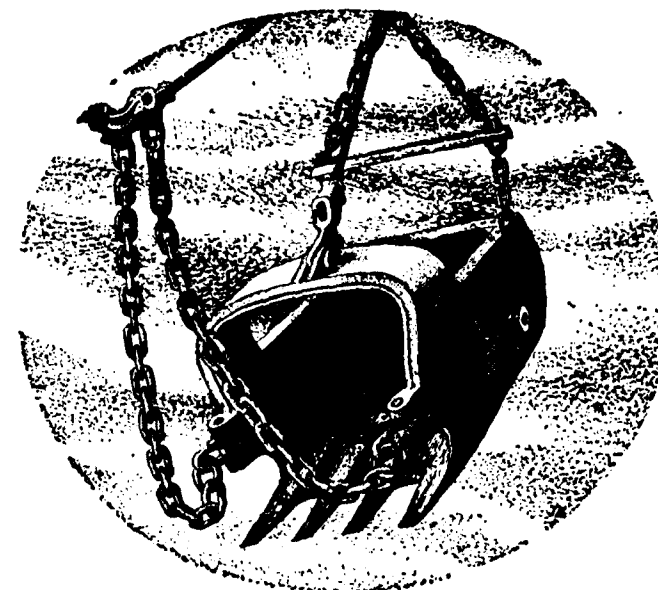
has already been revived, but tea and tobacco are still lagging behind the prewar levels. Taking these figures at their face value the recovery has been remarkable, but demand is also growing apace. It has just been announced that already the state must provide grain for 200 million people in the towns or grain-deficit areas. The success of the ambitious plans of industrialisation will largely depend on a rapid increase in the supply of foodstuffs and raw materials.

The agricultural reform has not solved the problem of land hunger and production. Indeed, to the extent that it has broken up the large estates, it has proved an obstacle to large-scale cultivation. True, there were not as many large estates to be divided as in the Soviet Union, which explains why the reform was carried out in three phases, on the instalment plan, and concluded only at the close of 1952. The feature of the reform which was most welcome to the poorer peasants was the elimination of rents (the burden was estimated at about 25 million tons of grain per annum), but in some way or another the government also managed to redistribute 47 million hectares of land or nearly half the total cultivated area. Yet even the most equalitarian distribution of the available land could not cure the hunger, since it could provide only a tiny plot of less than one hectare for the average Chinese peasant family. True, a hectare under rice in China is more valuable than, say, a hectare under grain in Canada; but only one quarter of the arable land in China is under rice.

Pharaoh on the Yellow River

Thus a loose form of co-operation, allowing for the communal use of scarce equipment, is judged sufficient by the government at this stage. Before passing on to the next stage it is necessary to fight with nature for land. Before the war the total cultivated area amounted to less than 100 million hectares, and it is probably not much larger now. On the other hand, it is estimated that potential arable land is about three times greater. From the very beginning the new regime realised that its economic future is linked with the conquest of that land, and even before Stalin's death the Russians had promised to help in this job. But at first a defensive action was needed: dams and canals had to be repaired to prevent floods and other natural calamities. The biggest project on which work is now being carried out is the harnessing of the Hwang-Ho river. It was begun in 1950 in Pharaoh-like fashion, with 5 million peasants mobilised for the job; by the time work is completed in 1955 2.7 million hectares should be irrigated. In this and similar projects the Russians are to provide increasing numbers of both experts and excavators.

Land reclamation, the training of agronomists (there are now only 7,000 in China as against some 350,000 in the Soviet Union), the building of Chinese factories for fertilisers, tractors and other agricultural equipment—all this must take time. Meanwhile, the peasants must be prompted to produce more and not antagonised through reckless reforms. Even the "kulaks"—those who have managed to hang on to a bigger slice of land than most—are invited to join in the drive for higher production. They are allowed to hire some additional ground, and the tax norms were passed for three years in advance so as not to penalise the efficient producer. On the other hand, the kulaks obviously pay higher taxes in kind: 30 per cent of their total output against an average of 15 per cent for the medium peasants and 5 to 10 per cent for the poorer



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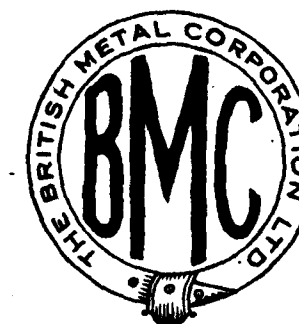
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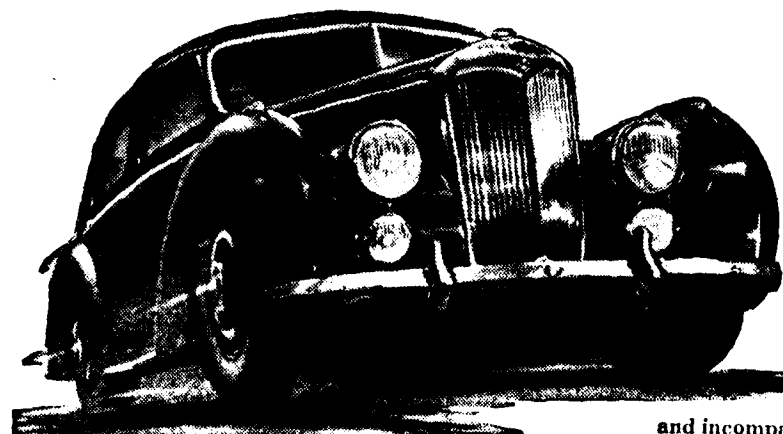
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peasants. In addition to the fiscal system, the control of the market is another weapon in the governmental arsenal. Until recently 90 per cent of trade in cotton and 60 per cent of the grain trade was going through the hands of the state. Now trade in grain has become a state monopoly, though co-operatives and even private individuals can act as its agents.

Thus for the moment the Chinese Communists seem to be proceeding slowly, step by step, towards their ultimate goal. In agricultural policy they have apparently taken the wise course of biting off not much more than they can chew at a time. If their appetite does not grow too quickly with the eating, there is no reason why they should not be more successful in their handling of the countryside than their Soviet predecessors, from whose bitter experiences they can draw a lesson.

(Concluded)

Australian Trade Policy

FROM OUR MELBOURNE CORRESPONDENT

AUSTRALIA has now surmounted its payments emergency of two years ago, when severe import restrictions were imposed to check a rapid running down of overseas currency reserves. The crisis developed from a tremendous rise in imports following the inflationary effects of the wool boom which reached its peak in mid-1951. The Prime Minister, Mr Menzies, made it clear at the time that the restrictions would be eased as the balance of payments position improved; he has made good his promise.

The latest easing of the cuts, which will allow a rise in imports of more than £25 million a year from non-dollar countries, means that only a small proportion of essential goods will now be subject to quotas or other quantitative restrictions. The amazing recovery in Australia's overseas trade is shown by the conversion of a £A378.4 million deficit at June 30, 1952, to a surplus of £358.1 a year later—an improvement of £736.5 million. Overseas funds now stand about £A250 million higher than in 1952.

Together with the latest easing of import restrictions, the Federal Government has imposed higher tariffs on an important group of products—namely, paper and paper products, cotton sheeting, motor transmission assemblies, and certain tools. It would thus seem to be giving Australian importers something through a further relaxation of the cuts, but taking it back by restricting the local market for some imports by raising tariffs. The Government in its apparently contradictory actions, seems to be following a policy of protecting domestic industry on the one hand and attempting to placate the overseas supplier on the other. It must be fully aware that Australia's prosperity is still basically dependent on a healthy export market, which would be hard to sustain if import restrictions were continued indefinitely, particularly if their *raison d'être* had disappeared.

Australian manufacturers are uneasy about the high cost economy in which they operate. Through nobody's particular fault, Australia suffered a much more rapid rise in prices and costs in the postwar boom than most other countries. As a result of the automatic adjustment of wages to retail price changes (since suspended by the Arbitration Court), Australian wages rose by 153 per cent between 1945 and

1953 compared with a rise of only 58 per cent in Britain over the same period.

The result is that secondary industry finds it difficult to compete against comparable goods imported from Britain and other countries unless it is given a substantial measure of protection by means of either tariffs, import restrictions, or currency devaluation. The Federal Government has had no hesitation in choosing the machinery of the tariff to protect Australian manufacturers as long as the present disparity in costs continues. The new tariffs were imposed as a result of recommendations by the Tariff Board which was recently enlarged to cope with the greatly increased number of applications by manufacturers for protection. The Board's recommendations are made only after a careful and detailed examination of costs and efficiency of the industries concerned, with special emphasis given to the effect of any changes on the consumer. As governments rarely make significant alterations to the tariff without the support of the Tariff Board recommendation, there is a reasonable assurance that changes are not made capriciously.

Much as Australian manufacturers would have liked the import restrictions to continue in their initial severe form, the Government knows full well that this might well invite reprisals from other countries which might not be prepared to engage indefinitely in a one-way trade with Australia. This applies particularly to Japan, France and Italy whose large-scale buying of Australian wool in recent years has involved them in very large trade deficits with Australia.

The Government is aware that Australia cannot continue to sell if it does not buy, and that is apparently why it is relying on the tariff to protect Australian industries rather than employing methods which inevitably irritate other countries and provoke reprisals. So far, it must be conceded, other countries have accepted Australia's import restrictions with singularly good grace, but the time has come when the virtual one-way trade with some of Australia's very good customers must soon come to an end.

To nothing is the Australian economy more sensitive than a fall in wool values. The psychological effect of an easier wool market is immediate, and a fall in export income is speedily reflected in a restriction of purchasing power, lower turnovers and less employment. For this reason alone, Australian trade policy will be directed, in the Prime Minister's words, "to putting other countries in a position to buy from Australia by increasing purchases of their goods." This obviously means increased imports, but scientific use of the tariff may mean that Australia will be able to encourage those imports which will cause minimum dislocation to domestic industry.

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Rice Surplus in Asia

AS the result of high prices, good harvests, and special inducements to producers, the world's output of rice has been growing steadily. It is now more than 10 per cent above the prewar level. Notable success has been achieved in those countries which normally import rice, and this fact, together with a marked tendency in such countries as India, Ceylon, and Japan to substitute wheat products for rice in the daily diet, has brought about a sharp fall in world trade in this commodity. In the past year this tendency has become intensified. In consequence surplus stocks have been accumulating, and it has been estimated that by July this year they may total 2.8 million tons, more than double the stocks held a year ago. In fact the problem is hardly less dramatic than the more publicised surplus of grain. Both these problems are being examined at the present moment by a working party of the United Nations Food and Agriculture Organisation (FAO).

Most of the problems connected with rice—which are succinctly analysed in a recent FAO commodity report—are localised in the area of South East Asia, where is concentrated the bulk of the world's output, consumption, and international trade. It is hardly surprising, therefore, that rice should play a vital role not only in the economics, but also in the politics, of this region. Notwithstanding

RICE PRODUCTION IN SELECTED COUNTRIES
(1,000 Metric Tons, Paddy)

	Average 1934-38	1952	Estimated 1953
<i>Normally exporting countries:-</i>			
Burma	6,971	5,841	6,300
Cambodia, Laos, Viet-Nam	6,498	4,604	...
Siam	4,357	6,602	7,600
Philippines	2,179	3,144	3,200
United States	956	2,182	2,383
<i>Normally importing countries:-</i>			
India	34,182	35,698	...
Pakistan	11,169	12,416	13,000
Japan	11,501	12,404	10,028
Indonesia	6,081	6,439	...

their common problems, their many joint endeavours such as the Colombo Plan, and a large measure of mutual understanding and sympathy, the exporting countries have not hesitated to extract their price in full measure from the importing nations, in the years when rice was in short supply. There has been much criticism in the past of Burma's price policies.

Now that the supply position has changed the importers are in their turn driving as hard a bargain as they can. In recent months the price of rice has been tumbling. Up to September last year Burma's rice was being sold on government-to-government contract at £60 per metric ton. Then in October an agreement was signed with Ceylon which reduced the 1954 contract price to £50 per ton, with annual reductions, until 1957, when the price will be £44 per ton. It has recently been reported that India has agreed to take up the balance of Burma's current carry-over stock (estimated at 700,000 metric tons) at a price of £48 per ton; but as there is an adjustment for settling Burma's prewar debt, the effective price is actually £33 per ton. Other exporters have likewise been forced to reduce their prices; perhaps the most interesting is the reduction to £47 per ton, from £54 per ton, of rice

bought by Ceylon from China under the rice-rubber deal. With stocks mounting in the exporting countries and domestic production rising in the importing countries, the outlook is for still lower prices.

While the outlook is foreboding for the rice-exporting countries, the people of South East Asia in general stand to gain by the lower cost of their staple food. The terms of trade have dealt many of these countries some heavy blows; it is time there was some compensation.

Questions about EDC

From what is said in public discussion of the Treaty for a European Defence Community it is clear that its provisions are not widely known. To analyse the Treaty in accurate, brief terms is impossible in a reasonable space. The most that can be done is to answer the kind of questions that are most frequently asked. Below an attempt is made to provide briefly such answers.

The first section deals with the questions that are asked about the EDC in general; the second deals with questions about German participation. It is clearly invidious to present the restrictions of the Treaty as affecting only the German government and its forces; for they also affect the governments and forces of the five other members. But as public discussion dwells far more on the safeguards against German resurgence than on the more important European purpose of the Treaty, the emphasis has been laid on what the Germans cannot do rather than on what the Treaty can do.

The EDC in General

1. *How are the national interests of members maintained?*
In the Council of Ministers, which decides policy, each Minister argues a national case. For the first three years one vote is as good as another, and the six ministers have to reach unanimous decisions.

The political assembly can reject the Community's budget, question appointments, and censure the members of the policy-making Commission of nine Community civil servants.

2. *Can the EDC be modified?*

Yes. Proposals to this end would be discussed on the motion of one government. They would be carried out if unanimously agreed.

3. *Is there an appeal against decisions of EDC bodies or against the behaviour of members' governments?*

Yes. The Council of Ministers controls the Commissioners who make and execute policy. A government can appeal to the Community Court for a ruling about disputes and alleged offences against the Treaty.

4. *What is really supranational about the EDC?*

The decisions executed by the Commissioners after the Ministers have agreed to them. The Commissioners owe no allegiance to national governments and are Community civil servants.

5. *Is there any democratic control over the Community?*

Yes. Ministers and Commissioners would be responsible to an Assembly which could reject the Budget and make recommendations about it.

6. *Where does military integration begin?*

At the level of the Army Corps. Divisions are recruited,

trained and officered on a national basis. All staffs at and above Corps level are international.

7. *Can the French withdraw troops for service overseas?*
Yes. By a request to the Council of Ministers, and with the approval of Nato.

8. *Can France maintain forces and arms industries overseas?*
Yes. Moreover, officers and men can be switched from EDC forces to national overseas forces and back again.

9. *At what stage do officers become European?*

At first all senior appointments will be held by officers trained in national armies (including the former Wehrmacht). But European staff colleges and training schools will gradually take over the higher training of officers and NCOs from all member countries. General de Larminat estimates that 40 per cent of the officers in the German contingent in EDC will have been trained on a European basis at the end of the first three years of the EDC.

10. *Who receives American military aid?*

The United States Government has agreed that it will be delivered to the EDC Commissioners and not to individual governments.

11. *Who prepares the arms programmes?*

The Commissioners, in consultation with Nato. Their object will be to standardise arms, equipment and infrastructure.

12. *Who prepares the Budget?*

The Commissioners, in the first stage, working on the same methods of estimated national capacity as Nato now uses.

13. *What happens if a member government leaves or tries to leave EDC?*

It is guilty of a breach of treaty and will lose all access to supplies, equipment and money, and will lose the benefit of guarantees against aggression given by Nato, by Britain, France and the United States. Moreover, the United Kingdom and United States Governments have declared that if any member of the EDC tries to break away they will regard this as a threat to their own security.

14. *When EDC forces are properly established can allied forces remain in Germany?*

Yes, they have the right to remain as defence forces. In case of a threat to their security or an attempt to subvert the constitution of the German Federal Republic the three western powers have the right, in consultation with the Bonn Government, to declare a state of emergency.

Restraints on German Rearmament

1. *What is the first step towards creating a German force?*

When the EDC Treaty comes into force, the Commissioners set up central bodies of European officers, with the task of building up European forces. A Central Staff of EDC assigns a delegate, who will be a general, to each member state. In Western Germany the delegate (a German) will raise the national contingent. He will be assisted by a group of officers of different nationalities.

2. *What will be the German command?*

The European general for Germany creates a European territorial command in the German region of the EDC-Nato area. For 18 months he will supervise recruitment of German troops under the supervision of the Commissioners. This means that Herr Blank's defence office

in Bonn will receive EDC directives through the General.

3. *When do German troops become formations?*

As soon as possible after EDC comes into force, a European troop command is established in the German territorial region. When German troops have been trained by screened re-enlisted officers and NCO's of the Wehrmacht, they are incorporated by decision of the Commissioners into German divisions.

4. *What is a German formation?*

A German division, like a French or Belgian division, is the "basic unit of homogeneous nationality" on which the EDC forces are built. An infantry division (or *groupe*) will consist of: Staff and HQ company; three infantry regiments of three battalions; one reconnaissance squadron; one tank battalion; one unit of self-propelled artillery. Supporting units of ordnance, medical services, provost, and personnel maintenance.

(The intention of the EDC is that this should be the largest number of Germans coming under purely German command.)

5. *How will German forces be armed?*

With EDC arms allotted by the Commissioners. The Commissioners control production, export and import of arms. Only they can place contracts with the European arms industries.

6. *Will Germany have new weapons?*

The Commissioners alone authorise and execute technical research of a military kind. National production of atomic, chemical, biological weapons, as also of long-range missiles and influence mines is forbidden in strategically exposed areas—i.e., Germany—unless the Council agrees unanimously to the contrary.

(Note. Articles 106 and 107 of the Treaty forbid the production of decisive weapons of war in Germany and are the greatest safeguard in the Treaty.)

7. *Will there be a German Air Force?*

Yes. There will be basic German air units of fighters, light bombers, reconnaissance and transport aircraft to the number of some 200. These units will be incorporated into higher formations with a European commander and staff.

8. *Will the Germans have a strategic bomber force?*

No. Nor will any other EDC member, except by unanimous agreement of the Council of Ministers.

9. *How do the German forces fit into Nato forces?*

All the European defence forces will be under the command of SACEUR (Supreme Allied Commanders Europe).

Article 69 says: "European basic units and their support units may be introduced into Nato formations, and conversely the basic Nato units may be introduced into the European commands." This means that American, British and Canadian formations, will be mixed up in Nato and EDC commands with German troops. Corps and higher formations will depend on common, international maintenance units and lines of communication. No division of the EDC army would be capable of independent action for more than a few days.

(Note. This is the other main safeguard of the Treaty.)

10. *Will there be a German general staff?*

No. There will be a German staff under European direction for the recruitment and training of German divisions. But operational, logistic, intelligence and equipment staff duties will be performed by international staffs.

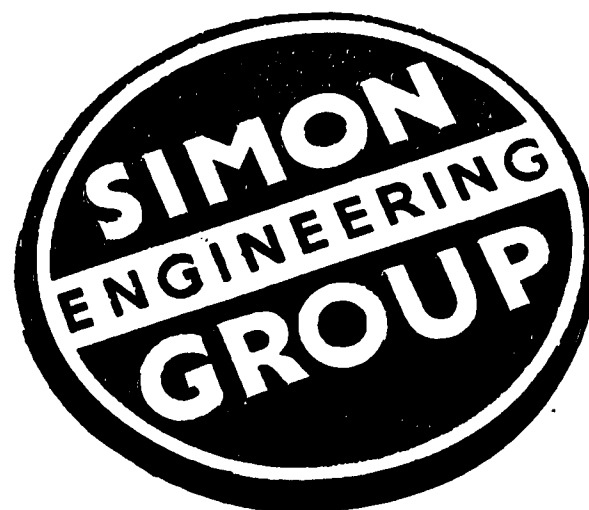
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THE BUSINESS WORLD

Electronic Abacus

OPINION is for the moment divided on the place of electronic calculating methods in ordinary business. A year or so ago, a suggestion that one of those thinking robots, the electronic brains, should be put to tasks so mundane as the counting of pounds, shillings and pennies for a weekly wage packet would have been greeted with general scepticism. Now that it has actually happened, preconceived opinions about the type of machine suitable for office and accounting work have received a severe jolt. For the past month, the wages of the bakery staff of J. Lyons, Ltd., and a good many routine office calculations besides, have been worked out on a full-sized electronic computer at Cadby Hall. To Lyons, the introduction of electronic computing on this singularly practical scale appeared the logical step to take if the company's accounting methods were to be kept streamlined and up-to-date. As other specialists in business methods did not see eye to eye with Lyons on this matter at the time, the company was driven to designing and building its own computer.

Is this the first step in an accounting revolution or merely an interesting and expensive experiment? There are those who do not believe in the desirability of introducing anything as esoteric as electronics into business routine at all. Others believe that there is a limited field for electronic methods, provided that they fit into, and do not disrupt, established business systems. But there is a third group—of which Lyons is one—who consider that a major revolution in office methods may be possible. This revolution would involve scrapping the greater part of the established punch card calculating routine and substituting a single "electronic office" where the giant computer would perform internally all the calculations needed for a whole series of book-keeping operations, printing the

final answer in and on whatever form was required.

The advantages that the computer has to offer are two; speed and some measure of intelligence. It is speed on a scale that baffles the imagination, where units are counted in millionths of a second and pulses travel through the labyrinthine circuits at the speed of light. As for the computer's intelligence, it can discriminate so that the same routine is not blindly followed on every figure that enters the machine. The co-ordinating sections of the computer will test one pattern of impulses against another, to decide what kind of operation needs to be carried out on any given piece of data. Combine this sense of discrimination with speed of operation, and it becomes apparent that the computer can store and can handle large numbers of separate items and can carry out when it becomes necessary any number of different operations upon them, without the need for any intervention by the operator.

★

Any business handling large numbers of figures would find such capabilities attractive. Electronic computers were essential for the development of atomic physics and are rapidly becoming a necessity for aircraft and missile development. Might they not also have a valuable, if less spectacular, contribution to make to improving business efficiency? Lyons has 33,000 employees, and when their weekly wage packets are made up, 20 different items have to be added or deducted before the net pay can be determined in numbers of notes and coins to be handed over. In addition, the company wants running totals of the amounts of coin needed, the number of insurance stamps, and of each of the 20 items that go to decide net pay. This can be done, step by step, on ordinary

office machinery—or it can be done in one step by the computer. That is the real difference between mechanical and electronic accounting. To put a computer to work of this kind may seem to some minds a gross under-employment of its capabilities. So it is; but the operation, handling a single wage every second instead of one every eight minutes by existing methods, represents a significant saving in time, in staff and in office space.

To save time and labour is always worth while. But what may be more important in the long run is the prospect of doing calculations on electronic computers that would simply not be possible by normal methods because of the time that they would take. This has opened up fresh fields in science; it may conceivably do the same in business. Lyons, for example, has 230 teashops carrying a wide range of perishable stocks. If stock control and ordering for these teashops is handled by the computer, it should be possible to have a much more accurate idea of the stocks carried and needed at any given moment, and the waste that is at present unavoidable could be cut down. Taken over a really wide field, it is possible, using a computer, to draw up a comparative analysis of the cost of producing individual items using different combinations of designs, of quantities and types of materials used, and of the methods followed. A final choice from a number of possible combinations is at present too often made by judgment or even guesswork because of the sheer size of the calculations involved in doing it any other way.

Many businesses, the banks among them, handle vast quantities of figures. It would be possible to handle all the account-posting operations of the banks by computers, which are quite capable of holding details of individual accounts in their memory stores and operating on them as required. Insurance companies handling large numbers of premiums and, in the United States, even national magazine companies with an impressive total of subscriptions, are considering the possibility of installing computers to handle their calculations.

American mail order companies dealing with exceptionally heavy seasonal peaks handle the extra volume of ordering, stock control and mailing on a computer, and one airline booking system is run in this fashion, giving an instantaneous check on the number of seats sold and seats available on any given flight.

For practical business purposes, it can be assumed that there is no limit to the computers' appetite for work; half a day should be sufficient to handle Lyons' entire payroll for the week. But there is this drawback: a full-sized computer contains 4,000 to 5,000 valves and thousands of other small electronic components. Although there are no moving parts to go wrong, the law of averages seems to dictate that some of the myriad components will occasionally fail, and scientists who work regularly on computers rely on the machine being available for at best only 80 per cent of its theoretical working time. Repairs are usually quick and easy, but it becomes obvious that should there be a major breakdown, business routine could be thrown into chaos, since by no stretch of imagination could the staff make up for the work lost on the computer. This is not a serious handicap where the computer is engaged on research, or on special jobs such as cost or mortality analysis. But it may mean that a minimum of two computers would have to be installed before essential routine functions such as account-posting or wage calculations could be entrusted to these techniques. This raises the question of cost. Ferranti Ltd., the principal suppliers of computers in this country, puts the installed cost of a full-scale computer at close on £100,000. Office machinery costs are high, but there are not many cases when they will run to as much as £200,000 for an installation.

Computer developments are being followed with interest and with some understandable apprehension by the companies that now supply the bulk of the business machines in use. If Lyons' example were to be followed widely, a big section of their market would be cut from beneath them. Their answer has been to

produce a poor man's computer, a machine that calculates electronically, but has neither the ability to store data nor the power to plan its own operations that are peculiar to a full-sized electronic brain. These less ambitious machines have their place in office routine, especially when the calculations involve sterling. The idiosyncrasies of British currency make calculations, carried out mechanically, slow and difficult, and they hold up the other high-speed machines in a modern office. Electronics eliminate the bottleneck. Both International Business Machines and Powers-Samas have had some success in selling these calculators. Lloyd's underwriters and Coventry City Council will both use the IBM machine; Sainsbury, and several motor manufacturers are using Powers-Samas. In the IBM machine each new set of instructions is fed into the machine on punch cards before the work starts; in the Powers' machine, the instructions are provided in the form of pre-set circuits and the operator switches from one to another. Their cost works out at between £100-£200 a month for rental or £6,000 for outright purchase.

These calculators are typical of the one-machine-one-job principle on which office mechanisation has so far proceeded, and it is a principle that some consider totally unsuited to electronic techniques. The business machine companies argue from their long experience of the market that more complicated and versatile computers are unnecessary unless the most abstruse scientific calculations are involved, and they offer instead—or will shortly offer—calculators that can be given a fixed but limited programme to follow, on the lines of the wage calculations now being done at Lyons. If necessary, the work can be put through the calculator more than once, and there will still be an impressive saving in time. But these limited programme machines will cost in the region of £25,000, and computer engineers do not believe that machines incapable of doing more than the one job will be worth that expense. The exciting feature of an electronic office is its flexi-

bility; the computer is an all-purpose machine that can switch from one type of work to another in the time in which it takes to erase the pulses of the old job from its memory. It will do all the work of a business, its scientific calculations, its routine office accounting, and its occasional costing analyses as each comes round, and it will take in its stride all the awkward exceptions that crop up in every batch of routine calculations. These are the arguments that led Lyons to opt for a full-sized computer, and experience during four years of often difficult experiment has not disproved them.

If Lyons' enthusiasm for the electronic office should prove infectious, a number of new names will enter the office machine business. Ferranti Ltd., has already sold eight computers to universities, the Government and industry, and plans to open a computer centre in London before the end of the year where the system can be demonstrated and computer time hired. English Electric Ltd. is putting into production a computer based on a design of the National Physical Laboratory. The National Research Development Corporation is sponsoring the smaller Elliot computer, British Tabulating Machine Company has plans for building a really small model. And, apart from this, it is not too difficult a task for a company to build its own computer. Finally, there is Lyons' own Leo—"Lyons Electronic Office." This has the distinction of being the only one of the lot specifically planned for office use, where information has to be fed in and out at higher speeds than in the laboratories. Lyons' possible willingness to supply versions of Leo to interested customers introduces competition from a totally unexpected source. It has a precedent in the introduction of the Powers punch card system into this country by the Prudential, and the subsequent creation of Powers-Samas to make the machines. The electronic office might mean a revolution in methods just as remarkable, and a great deal more violent, than that which followed the Prudential's experiment.

The Computer's Method

A computer "reads" from tele-tape or punch card, on which the information that it needs has been coded. The code marks are turned into electronic pulses. The pulses are held, like greyhounds in the traps, and let out, one by one, into a circuit. The position allotted to each pulse in the circuit signifies the digit it represents. This is the first step.

The co-ordinating unit of the computer controls a vast series of valve-operated "gates" at the entrance and exit to each operating circuit. These gates are normally shut. When the track is clear, the contents of the circuit are released through a "gate" into the memory store. The memory used by the Lyons computer is a tube filled with mercury (there are many other types). The pulses travel down it as ripples moving with the speed of sound. This is the second step. The memory is full of these captive patterns of pulses travelling round and round. The patterns, each representing a number, stay in the store until they are needed. When a number is needed from the store, the co-ordinating unit opens a gate as the number comes round, and it is released into the calculating section of the computer. This is the third step.

Each pattern of pulses is let into the calculating section through a separate gate. The calculating section contains a series of circuits for the different arithmetical procedures, adding, multiplying, etc. The calculation is broken down into thousands of small operations in which the individual pulse patterns are fed through the gates from their respective sources into, say, the adding section where they are "mixed" and the patterns re-arranged, to give the sum of the two numbers. These operations are going on continuously all through the calculating unit at tremendous speed, with the co-ordinator holding numbers in the calculating section for further operations, selecting fresh numbers from the store, and sending back those not needed until a later stage. These operations make up the fourth step.

The elements of the finished sum come out of the calculating section into an exit where the pulse patterns are held in much the same way as they were at the start of the process. When the calculation is completed, they go out through the last gate where the pulses are printed or cut into fresh cards in the normal fashion.

Ramp or Mouldy Turnip?

HELPED by the "guillotine," the rent sections of the Housing Repairs and Rents Bill are now passing through the committee stage in the Commons. Landlords can perhaps expect that by the summer they will have a possible right to their first rent increase for 14½ years. "The landlords," said Mr Bevan, "are being offered a mouldy turnip." But he struck his more familiar form later: "This is a landlords' ramp." Neither charge is correct, yet each has some inconvenient resemblance to the truth. The bill gives the landlords far less than they had hoped for—they will have nothing approaching the same freedom to fix charges that most other sections of the community now enjoy. And it will create a great many hard cases; if its provisions are fitted to any group of properties, the results bristle with anomalies. Therefore a group of

back-bench MPs is trying, in the Committee stage in the Commons, for amendments which will iron those anomalies out in the property owners' favour. But even as the bill now stands, many property companies will be able to add substantially to their rent rolls, and the lot of the property shareholder will be more reasonable than for many years past. Moreover, the bill will not pass as first drafted; some of the clauses to which property owners objected most strongly are being amended.

In the last year or two, the need for a drastic overhaul of rents on residential property has been increasingly admitted by both parties, though that will not make Mr Macmillan wildly popular for doing it. Many houses have been under control for nearly 40 years, save between 1920 and 1923. Since 1939, there has been

no adjustment, apart from payment for structural improvements and the right to pass on rate increases, and nearly all the landlord's costs have been rising against him. When he provides services, such as hot water, his predicament has been worse. To be rigidly controlled in an economy where other people are free is oppressive, and property owners have reacted to restraint in four ways:

- (1) They have sold residential properties and reinvested in business properties that are uncontrolled.
- (2) They have left building for letting to the Councils who have applied subsidies, and alone were allowed to increase, rents.
- (3) They have been unable to maintain houses and about 200,000 a year have fallen out of repair and use. These may have been the worst houses of which the country is well rid. But a Government which got 300,000 houses built in a year has really added only 100,000 to the net supply.
- (4) Many made private bargains under which tenants agreed to contribute towards the increased cost of services. Such agreements are not enforceable at law, but good tenants have often been willing to keep to them.

Having decided to act, the Minister had two obvious choices. A dash for liberty was one possibility, for housing is no longer wholly a sellers' market; but the idea found no favour because the shortage of properties for letting is still marked and tenants might have been put at the landlord's mercy. A straight percentage increase in rents and maintenance of control at the new level was another possibility and it would have been acceptable to most landlords; in Scotland that, with slight qualifications, is what the landlord is to get. For England Mr Macmillan has adopted neither; he has devised an ingenious obstacle race, designed to prevent any increase on certain houses and flats which are considered already adequately priced. Landlords of the other properties are to be enticed to spend money on them by the bait of a rent increase if they do so.

Some landlords will also gain a service increase as well as the repairs increase. Any existing bargain, under which the tenant makes a contribution towards an increase, receives the blessing of the law. Where there is no such private bargain, the owner may apply to the rent tribunal for an increase to meet the rise in costs since 1939. Landlords fear that the tribunals—who could hardly be accused of bias in favour of landlords—may not find it easy to fix the just increase; quite a specialised line has developed in beating landlords down at tribunal hearings, and an unsuccessful application in respect of one property might have adverse effects on a number of others. A loophole also exists because nothing yet in the bill fixes the method by which the cost of services—for example, a lift—is to be apportioned between flats in the same building. Then there is doubt whether the bill covers services traditionally given but not specifically covenanted in the lease—for example, the maintenance of a garden attached to a block of flats.

It is on the repairs increase that the worst confusion arises. The bill aims to encourage the landlord to spend money on the property to the tenant's advantage, and to reward in moderation the landlord who has done so.

The example shows the intricate calculation, based on three sets of figures—a qualifying repairs expenditure, a permissible rent increase and a ceiling limit. All are based on schedules of gross annual values and statutory repairs deductions laid down in the bill. Disparities of valuation between rating authorities are notorious, and this method cannot possibly provide uniformity of treatment between different areas. Yet no subsequent rating

Under Sections 18 to 44 and Schedule 2 of the Housing Repairs and Rent Bill, a landlord may increase the rent of a controlled dwelling:

(a) *Repairs increase for a dwelling house in good repair*: the landlord must spend on the dwelling either three times the statutory repairs deduction from the gross rating valuation in the 12 months preceding the rent increase or must have spent six times the repairs deduction in three years out of the four ending two months after the Act passes.

If he qualifies he may increase the annual rent by twice the statutory repairs deduction.

But the increase may not raise the rent, exclusive of rates and services, above twice the gross annual value.

(b) *Services increase*: if the rent contains any element for services rendered by the landlord to the tenant, he may apply to the rent tribunal for an increase to cover the increased cost compared with 1939.

Example: Block of 24 flats with hot water, partial heating, and lift, let at an average annual rent of £260 (including 1939 level rates):

1939 rent less rates	£
1939 cost of services	4,623
	1,041
1939 rent less rates and services	3,582
Qualifying repairs expenditure (3 year option: statutory repairs deduction × 6)	3,258
Actual repairs expenditure (three years to March, 1953)	4,668
Therefore the qualification has been satisfied.	
Maximum possible rent increase (statutory repairs deduction × 2)	1,086
Rent increase "stopper" (gross annual value × 2)	4,554
Permissible increase (difference between 1939 rent less rates and services and "stopper")	1,072

This is 23 per cent of 1939 rent less rates on these flats. In addition the landlord may apply to the tribunal for an increase to meet the difference between his 1939 cost of services (£1,041) and their present cost.

revaluation—if and when that happens—will change increases made on the basis of the existing valuations.

For the landlord there are two problems. Can he fulfil the qualifying expenditure? And will the ceiling frustrate the rent increase? The repairs expenditure clause contains latitude in point of time. The landlord could, if he wished, build up the qualifying expenditure at any time by slapping on unnecessary coat after unnecessary coat of paint and then notify the tenant of a rent increase. Such actions would not improve his relations with his tenants: good landlords will not try it and may therefore lose the opportunity of raising rents. But the Government amendment allowing the qualify-

ing expenditure to be spread over a choice of three out of the last four years instead of only over three years, reduces the number of such exclusions.

This amendment is reasonable, though it may still leave out certain types of property such as stone buildings that are expensive to build but do not call for maintenance expenditure sufficient to qualify. The fact that modern tenancies usually leave the landlord only the outside repairs to do has now been recognised; the bill is being amended so that where there is no specific provision to the contrary the landlord is to be regarded as responsible for two thirds of the repairs and the tenant for one third, the rent increase being abated accordingly.

A large number of houses will be excluded or partly excluded from rent increase by the gross annual value

PROPERTY COMPANY CAPITAL AND ASSETS
(£'000's)

Company	Year ended	Capital			Properties			Earned on Ord.	Paid on Ord.	Stock	Price	Yield		
		Deb. and Mortgages	Preference	Ordinary	Freehold	Leasehold	Proportion restricted					£	s.	d.
Alliance Prop.	Apl. '53	324	110	140	31	586	28	11.4	12.5	1s.	1/6	8	6	8
Artizans & Gen.	Dec. '52	1,181	1,759	3,706	103	786*	60.75	6.4	5.0	£100	104xd	4	16	2
City & West End	Mar. '53	271	293	530	685*	786*	20	7.8	8.0	£1	22/3	7	3	10
Connaught Estates ...	Mar. '53	376	170	132	345	257	95	nil	nil	£1	3/6	nil		
Cons. London Props. ...	Mar. '53	117	220	330	139*	712*	35	6.2	5.0	£1	16/3	6	3	1
East End Dwellings ...	Dec. '52	50	339	410	128	134	30.35	6.1	5.0	£10	9	5	11	1
Guildhall Property ...	June '53	228	260	153	415	134	18	1.2	nil	5s.	1/3	nil		
Hesketh Estates ...	Feb. '53	250	250	500	585		18	nil	nil	10s.	4/-	nil		
Imp. Indus. Dws.	June '53	...	...	ord. 500	1,079	444	80	6.4	5.0	£1	17/6	5	4	3
		...	...	defd. 180				2.4	4.0	£1	14/6	5	10	4
London & Westcliff. ...	Sept. '52	492	250	180	1,209	8,246	88	14.6	11.25	10s.	28/9	4	18	7
Lon. County Frhold. ...	Mar. '53	4,943	821	2,479	481	173	99	6.0†	4.5†	£1	15/-	6	0	0
Lon. Labourers Dw. ...	Dec. '52	301	...	270										
Metro. Asso. for Imp. Dwellings ...	Mar. '53	34	...	192	218	33	100	6.4	4.0	£100	68	5	17	8
Metro. Indus. Dwell. ...	Sept. '53	...	100	200	199	206	95	8.9	5.0	£5	81/3	6	3	1
Orion Property Trust ...	Sept. '52	973	350	350	1,762		80	6.7	6.0	£1	19/-	6	6	4
Raglan Property ...	Mar. '53	100	100	100	613		98	13.8	10.0	1s.	1/10†	5	6	8
Victory Real Estate ...	Mar. '53	278	...	126	458	85	80	8.4	7.0	1s.	1/0†	6	14	5

* Revalued.

† Based on 1953 preliminary figures.

ceiling or "stopper." A glance at the expectations of a few landlords shows how capriciously the result can vary between no increase and a 40 per cent rise. A sample of 1,450 middle class and artisan dwellings owned by five different landlords and built in greater London between the wars shows only two houses and 32 flats out of the whole list qualifying for increase. On another estate belonging to one of the big groups there are 1,246 adjoining and similar flats of which 506 qualify for rent increases of between 33 per cent and 40 per cent, while 684 attract no increase.

The connection between twice the gross rateable value and a fair rent is not easy to see. Scottish landlords have been spared from it because the Scottish local taxation system does not provide the Scottish office with such a convenient yardstick. It is difficult to escape the conclusion that the "stopper" has been put in for the express purpose of preventing the well priced house built in the thirties from paying any rent

increase despite the change in values since 1939. That at least will be the usual result, while rents on pre-1914 dwellings will generally be raised. Most flat rentals which include services will also qualify. Property owners will fight against the "stopper" as far as they can. An attempt will be made to get it raised to 2½ times the gross annual value, but the chances are that the Government will make no concession, except probably on properties with the very low rating valuation of less than £16 a year.

The bill is likely to contain many imperfections when it becomes law. There is the issue of divided authority: the rent tribunal is the ultimate appeal for a services increase, the County Court for a repairs increase. There are the anomalies which will result in some good landlords getting less than they should while some owners

of antiquated property will do well. There is, above all, the failure to go quite far enough to encourage private enterprise to undertake any appreciable amount of building for letting.

With all those shortcomings it remains the fact that apart from a few groups who did their building just before 1939, property owners are on the eve of a real improvement in their prospects. The Government's intention was to offer English property owners the

approximate equivalent of the Scottish 40 per cent increase. Owing to the "stopper," the offer is less favourable than that, but the increase will be material. It will not lead to reckless dividend distributions by any of the responsible companies. Some of them need to revalue their properties nearer to present levels. Most of them ought to absorb much of the extra revenue in higher amortisation or replacement provisions. But moderate dividend increases have started and may continue. The accompanying table lists some of the companies in the field to illustrate the points for which investors will now be looking. For the first time since the war possession of a high proportion of rent-controlled residential properties becomes something of an attraction. Flats with services offer more scope than dwellings without and, within reason, the older the properties the more reasonable is the improvement in prospect.

Business Notes

Glasgow Oversteps the Mark

INVESTMENT markets have paused as they often do in the weeks before the budget. Often when they pause they also sag slowly downwards; this time they have not done so. Here and there in the industrial section there has been a little easing, but both ends of the markets' extended line are most firmly held by a strong gilt-edged market on one hand and a strong gold share market on the other. Tin mines, following the sharp rise in the metal and the co-operative statement of the American attitude to the regulation scheme provide an additional point of support. The market is by no means fool-proof for the non-professional investor, but the appearance is still that of a bull market pausing after a sharp advance. The reaction from the recent high points has been notably small. The *Financial Times* index of Government securities is less than a point below its recent high point of 101.14 in November last year. The Industrial index is five points below its recent peak of 140.2 a month ago, and the index of developing gold mines about three points below its highest point of 112.93 touched last week.

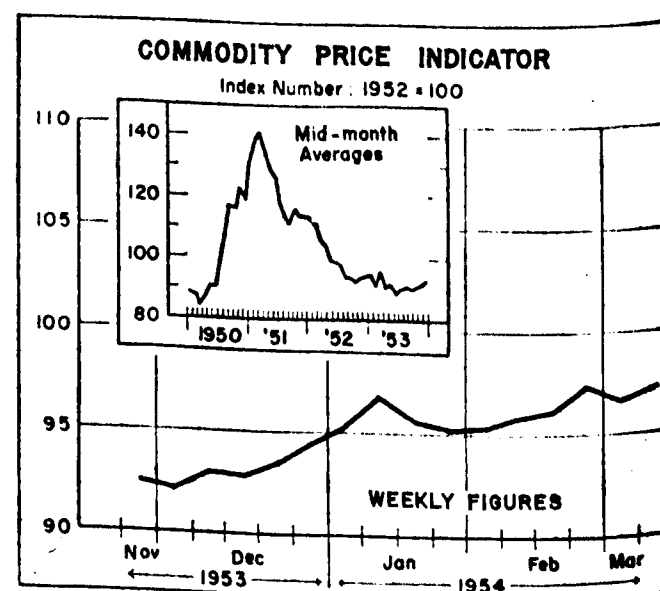
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Demand for the sort of investments which appeal to pension funds (but not for all the wares in which the stock exchange trades) still seems far from satisfied. This, together with the re-investment, partly on account of banks and money market houses, of over £72 million resulting from the repayment of the unconverted portion of the National War Bonds, 1952-54, provides the background of strength for the gilt-edged market and for good industrial prior charges. Of these the £30 million ICI issue of 4½ per cent loan stock 1972-74 at par is one. Application forms have now been posted to shareholders and lists close on March 24th. Only 10 per cent is payable on application.

The institutions are still ready to buy. They have bought heavily the 2½ per cent serial Funding stock 1957; they have also bought long dated gilt-edged while the small issue of £2 million 4½ per cent New South Wales Electricity Commission stock 1966-68 was heavily oversubscribed. But they are not reckless buyers. It was obvious that in trying to cut below the 4 per cent coupon rate the City of Glasgow's advisers were taking a risk. The risk proved too great for the market and of the £5 million 3½ per cent stock 1971-73 offered at £98, 65 per cent was left with the underwriters. Dealings started on Thursday at a fractional discount. It says much for the underlying strength of the market that the general level of gilt-edged prices was not pulled down.

Puzzle in Commodities

ONE of the many puzzling features of the American recession is that commodity prices as a whole have been rising in the last three months. Since the beginning of December *The Economist* commodity price indicator has moved up from 92.1 to 97.3 (1952=100). The boom in cocoa, coffee and tea is largely responsible for this movement, but the general trend is also firm. Copper prices in London have recovered steadily, and tin, after several months of stability, has bounded upwards. Cotton prices have climbed quite sharply, and the fall in wool prices has



been very moderate. Wheat has lost some ground but maize is steady. Prices of lead and zinc, which suffered most from the fall in American activity, have rallied in the last two weeks. Rubber remains depressed, but sugar is reasonably firm while the weakness in copra, jute and sisal has occurred only recently. The strength of certain commodities is admittedly somewhat artificial. The huge surpluses of wheat and cotton are being countered by the American support operations. The surplus of tin is still being absorbed into the American strategic stock, and the jump in price reflects the hope that the tin agreement will now come into force. Copper would certainly be in surplus if the large Chilean stocks were to come on to the market.

Just why commodities have not reacted to the 10 per cent drop in American industrial activity is something of a mystery. There is a strong presumption that American imports of commodities have been falling in the last few months, but recent figures are too incomplete to be a reliable guide. Whatever the extent of the fall, it may have been

partially offset by an increase in demand from Western Europe, where industrial activity appears still to be reviving. Moreover, it may be that after the steep decline in commodity prices from their Korean peaks, prices and stocks now are rather low in relation to the general level of world production. And the shadow of recession has for many months encouraged consumers everywhere to buy only their minimum needs, so that although the volume of purchases is small, it is at least steady, and has helped to maintain market prices, particularly for spot supplies. The testing time now seems to be approaching, and it may be significant that American production of non-ferrous metals is being restricted still further.

Risks in South America

NO British business can be more widely experienced in the difficulties that encumber trade with Latin America than the Bank of London and South America. It suffers in all South American countries. Shareholders must remember those difficulties when they consider the mere maintenance of the 6 per cent dividend. The payment is more than twice covered by the disclosed profit, despite a decline from £361,094 in 1952 to £341,778 in 1953. But the disclosed profit is not a fully repatriated profit in sterling. Part of it is a currency profit which "is still awaiting remittance"—particularly in Argentina from which country the bank has had no remittance of earnings since mid-1951. Fortunately the latitude granted to banks in presenting their figures has enabled the board to make full provision for depreciation of capital employed abroad before arriving at the profit. Shareholders also have the chairman's assurance that their patience is appreciated but a cautious dividend policy is essential "until the present difficulties and uncertainties are ended."

A wide section of the business public will study Sir Francis Glyn's comments on trade with Latin America. They will find no facile suggestion that the difficulties and uncertainties are ending though there is progress of a kind in the full remittance of profits from Brazil at depreciated exchange rates. On the contrary the chairman records: "It will not be surprising if the British merchant and trader with long standing connections in this region (South America) now look to the future with some misgiving." He reports that in Argentina, which is far the most important potentially of the South American markets, imports from the United Kingdom in the first half of 1953 were only 181 million pesos compared with 432 million pesos from Germany and 430 million from the United States. Argentina also is a country that enjoyed marked economic recovery last year, which makes the continued refusal of the Argentine authorities to allow any remittance of profits all the more reprehensible.

Traders must be considering two questions: Is it worth while to try to give longer credits to match what the French and the Germans are said to have done even though Germany too has suffered credit losses in so doing. And should any response be made to the effort of several South American countries to encourage fresh investment by foreign undertakings now that they promise treatment quite unlike that under which earlier investors still suffer? Sir Francis Glyn

helps with the answer to both questions. Against the background that French and German credits to some South American countries extend up to 5 years, he cautiously approves longer British credits. He suggests that machinery should be found for financial assistance to credit worthy importing countries for from 2 to 7 years, from the normal credit market. He does not state what the present British limit is, but it is understood in the City that credits up to 3 years have been given and that some longer propositions are being considered. On the question of fresh investment Sir Francis gives a clear warning: the intending investor cannot fail to have noticed "the treatment of existing investments in many countries, and the many delays and administrative limitations, often arbitrarily imposed, to say nothing of the sudden depreciation of currencies that so often intervene."

Exports Down in February

BRITISH exports last month fell in real terms, not merely because February had 24 working days, two fewer than January. Provisional figures show that exports dropped to £201 million f.o.b. from £226 million, and the average daily rate of total exports fell to £8.7 million from £9 million in January and £9.2 million in December. The average value of exports, excluding re-exports, in January and February together was 7 per cent below that of the fourth quarter of last year, although it was still 3 per cent greater than in the corresponding months of 1953. Imports in February showed what appears to have been a largely seasonal fall of £40 million to £241.9 million c.i.f., and re-exports were unchanged at £8.2 million. Thanks to this sharp fall in imports, the gross visible trade deficit dropped to £32.7 million in February from £48 million the previous month. The average deficit of the two months, however, was 10 per cent higher than the fourth quarter average.

UNITED KINGDOM TRADE
(£ million—monthly averages)

	Imports c.i.f.	Exports f.o.b.	Re- exports f.o.b.	Gross visible trade deficit
1953, 1st half.....	282.0	209.3	9.0	63.8
" 3rd quarter ...	274.8	211.6	8.5	54.8
" 4th quarter ...	276.1	230.6	8.7	36.8
1954, Jan.-Feb.*	262.0	213.4	8.2	40.5

EXPORTS TO NORTH AMERICA

	USA	Canada	Total N. America
1953, 1st quarter....	12.7	11.3	24.1
" 2nd quarter ...	13.9	15.7	29.5
" 3rd quarter....	13.9	12.8	26.7
" 4th quarter....	12.4	12.5	24.9
1954, Jan.-Feb.*	11.4	10.2	21.5

* Provisional.

The fall in exports to North America continued in February, but despite the American recession the daily rate of shipments was practically unchanged. Total exports were £20.5 million compared with £22.5 million in January and the peak average of £29.5 million in the second quarter of 1953. Shipments to the United States fell by £1.3 million to £10.7 million and shipments to Canada by £700,000 to £9.8 million. The average for the two months was 1.4 per cent less than the fourth quarter average and 10 per cent below that of the corresponding months of 1953.

Competition in the Air

THE debate on civil aviation that took place in the House of Commons on Monday side-stepped the major issues raised by the Government's policy and pivoted instead on the subsidiary argument whether the nationalised corporations were being deliberately penalised in order to provide opportunities for independent air operators. What is in fact only a test case was turned into a matter of principle, with the result that the Minister of Transport was able to concentrate on points of detail without feeling the necessity of clarifying what precisely the Government considers to be the meaning of "competition" in civil air transport.

The test case involves the grant of licences to fly a freight service across the North Atlantic. As a correspondent points out in a letter on page 767, the traffic on freight services is quite distinct from the make-weight packages carried on routine passenger flights. The licensing body, the Air Transport Advisory Committee, has granted a franchise for such a service to one of the biggest of the independent operators, Airwork Ltd. When the application was made, the chairmen of the two nationalised corporations had already given the Minister an undertaking to postpone any plans that they might have had for freight services for twelve months, so that the independent operators had a period of grace. Subsequently, it appeared that the terms on which a licence could be granted to a second operator on any of these freight routes were drafted in such a way that it would be difficult, perhaps to the point of impossibility, for a second applicant ever to be able to make out a successful case. It is, of course, true that the interpretation of these terms of reference by the Air Transport Advisory Committee has not yet been tested—as it might have been if British Overseas Airways Corporation had sought permission to fly a freight service on the North Atlantic in competition with Airwork.

On the contrary, BOAC is discussing the possibility of an agreement with Airwork, and doing so with the obvious approval of the Government. But BOAC is not the only operator interested in North Atlantic freight. A second independent operator, Hunting Air Transport, applied for a licence at the same time as Airwork, but was rejected. If Airwork and BOAC reach an agreement on freight handling on this route, the odds against any other operator ever being able to make a case for a second service would not be other than dishearteningly long. How BOAC's interests emerge from the discussions is in reality a subsidiary point. What is more fundamental is whether competition can be said to exist when the first comer on any new route or service is granted what on all present probability would be a secure hold and even a permanent monopoly of that service.

Standard and Rover

THE proposed merger between the Standard and Rover motor companies has one or two special features that make it more than just another step in the process of concentration that has been taking place in the motor industry since the war. The postwar expansion of the two companies has been outside the passenger car field. Standard's fortunes are closely linked with the farm market; of the 545 vehicles a day now being turned out by the company, 245 are tractors, and the potential rate of tractor production is in the order of 300 a day. The same is true of Rover. Passenger cars comprise only a small and decorative contribution to its total production, the bulk of which consists of tank engines for the Ministry of Supply and of Land Rovers, and the company may develop a market for small, stationary gas turbines for pumps and other machines. The Land Rover has not been in production many years; it still has no serious competitors in non-dollar countries, and as a result Rover is working with a substantial back-log of military and civil orders both at home and abroad. The assembly plants are bursting at the seams, and Rover would be obliged to look somewhere or other for extra capacity.

The two companies offer, between them, a fairly wide range of car models. Rover's production methods are a compromise between hand-building and flow-production techniques; using a choice of 4- or 6-cylinder engines in the same body, these methods produce a quality car that retails, before tax, for between £820 and £915. Standard sell the 4-cylinder Vanguard for £555 and the baby Standard 8 for £339; production of the baby is considerably higher than that of the Vanguard. There may be room here for some rationalisation in engines, and Standard has a good deal of capacity that Rover could put to use as well as some very fine assembly facilities. At present, the two companies get their car bodies from different sources, Rover from Pressed Steel and Standard from Fisher and Ludlow, and from Mulliners. But it would be surprising if Standard continued to rely indefinitely on Fisher and Ludlow now that the company has become part of the British Motor Corporation.

The terms being disclosed are stated to be on the basis of 6s. 6d. for the Standard 5s. ordinary shares and 28s. for Rover's 8s. shares. Somewhat surprisingly, prices of both fell slightly when the talks were announced. Yet something of this kind was not unexpected. Standard has been without a chairman since Sir John Black's retirement was announced, and Rover's experience could under these circumstances be useful to Standard's new young managing director. The merger will leave the Jaguar company as the only substantial, independent manufacturing unit in the motor industry.

Banking in the Far East

BUSINESS men and investors with interests in the Far East have long been accustomed to look to the season of the annual meetings of the "Exchange" banks for much valuable information and helpful counsel. The message

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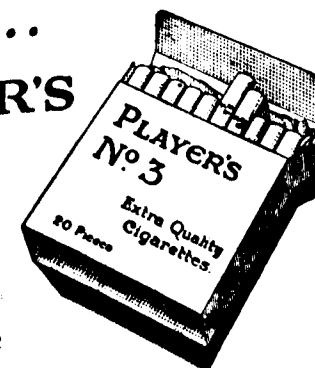
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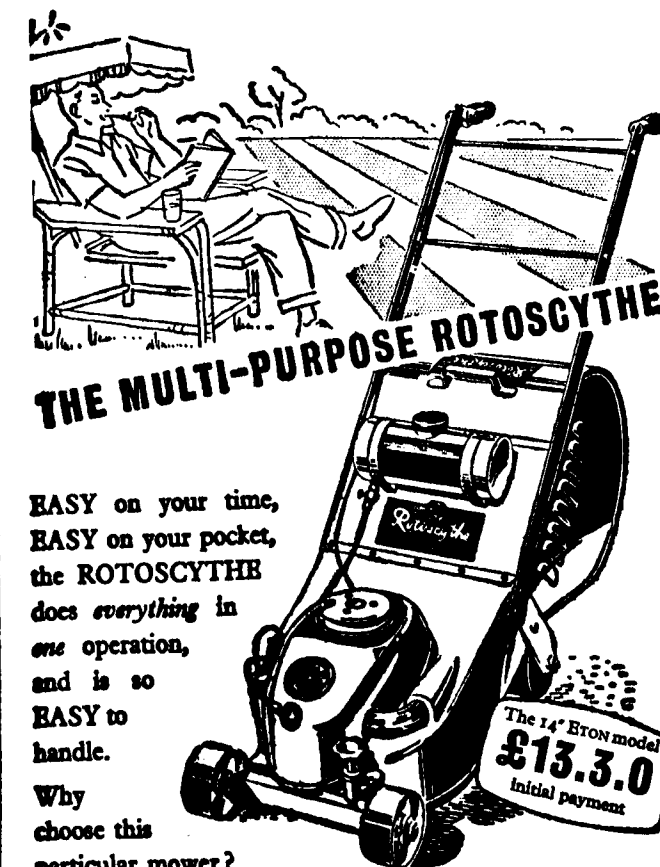
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From the sale of some of the freehold properties of its subsidiary, Freeman, Hardy and Willis, J. Sears has realised about £4½ million. After repaying the debentures, there remains about £3 million in cash, approximately the sum paid by Mr Clore and his associates for the control of the Sears business. That fund may soon grow to over £4 million, for at least another £1 million may be realised from

THE ECONOMIST, MARCH 13, 1954

the sale of part of the remaining freehold properties, now valued at £4 million. How will the £4 million be used? The directors of the footwear business, of whom Mr Clore is the chairman, will have the first call "to carry through the programme of improvements and expansion." This programme will absorb only a small part of the money and the remainder will ultimately be invested in "sound and progressive businesses." Until Mr Clore finds those opportunities the fund may just earn deposit interest. Funds of £4 million do not come out of nothing. The footwear business to be carried on in the name of Freeman, Hardy and Willis will have to pay rents on the shops that once were freehold. Mr Clore still does not say how much the rent charge will be. But he does indicate that because of it this year's profits will be lower, though he hopes to be able to maintain the 50 per cent dividend.

The financial needs of the footwear business will take up only a small part of the £4 million fund and Mr Clore, still full of projects for further take-overs and property deals, is left with almost complete discretion over a fund of about £4 million, at a most fortunate moment when the Bank of England's directive on finance for take-overs has made it more difficult to raise money from conventional sources. Minority shareholders must realise that though they are still in the shoe business they are also in business with Mr Clore—wherever he may lead them.

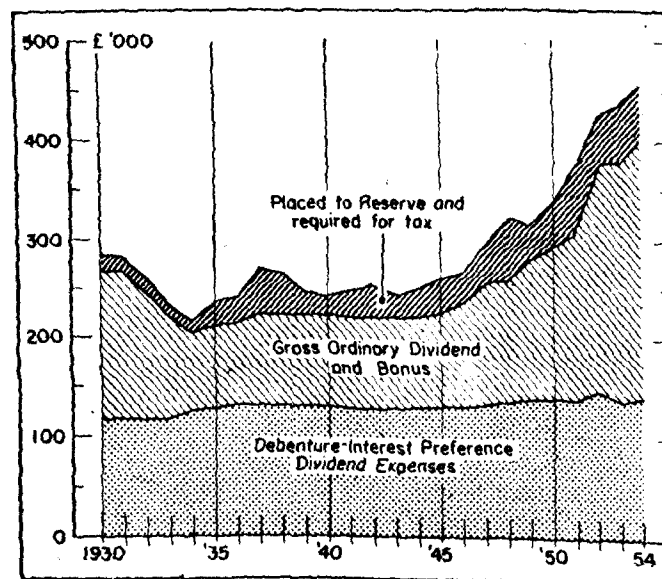
Keeping Pace with Inflation

THE United States Debenture Corporation is a big and an expert investor. Its permanent funds in the market now exceed £8 million. Its investments (nearly three-quarters in this country and more than three-quarters in equities) yield a rising gross income. Equity stockholders have received the benefit, including a 100 per cent capital bonus in 1952: the ordinary stockholders' money return has steadily increased. The left-hand chart shows how it has risen.

But that is in depreciated pounds. In the right-hand chart the corporation attempts to show how far the ordinary stock has been a hedge against inflation. The money figures have been deflated by the movement in retail prices, which have risen about 125 per cent since 1930. This index is not the only yardstick; the corporation might have used others, such as wholesale prices (up nearly 230 per cent) or wages—up about 147 per cent. But these "real" figures suggest

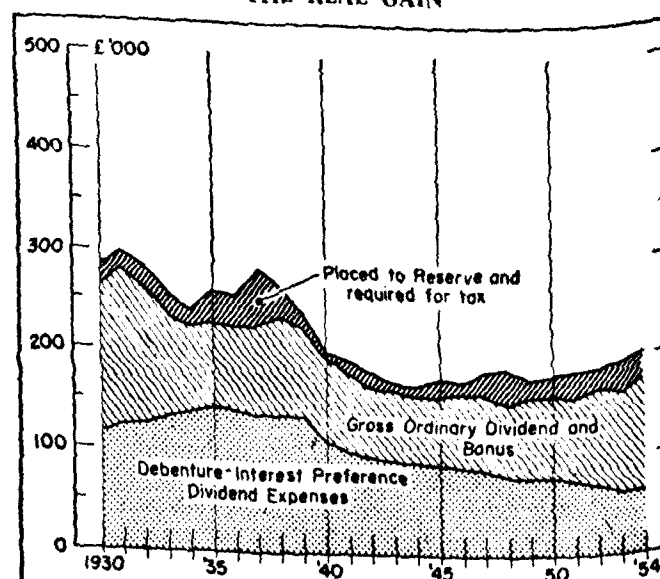
that in exceptionally favourable conditions the equity holder has done a little better than keep pace with inflation. The average investor can hardly have been so fortunate. Even in the United States Debenture Corporation most of the equity holder's gain in real terms is at the expense of debenture and preference holders. The benefit for the £2 million ordinary capital would have been smaller had it not been geared up by heavy prior charges. The circulation of these charts to stockholders is a novel and welcome idea.

THE MONEY GAIN



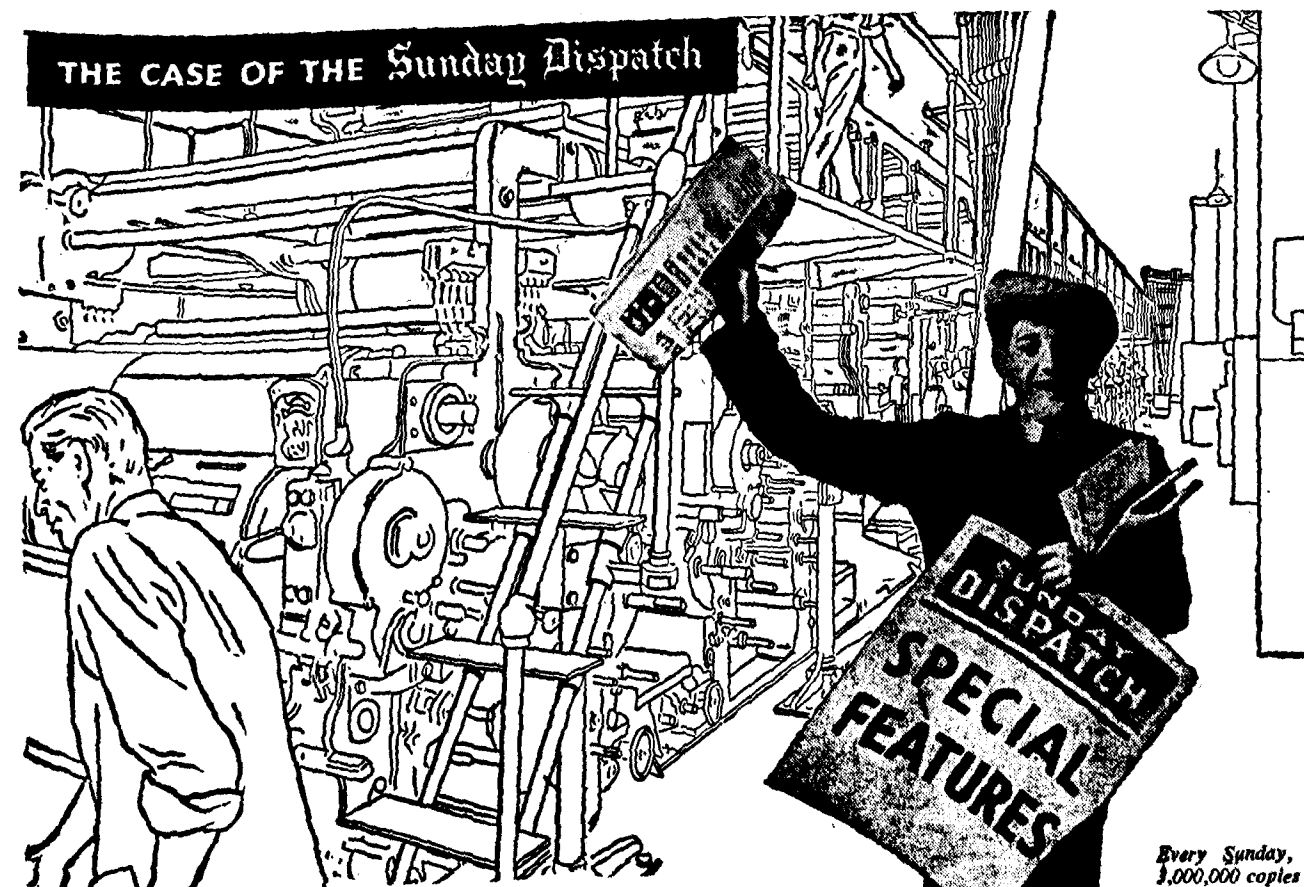
Actual gross income, ordinary dividend and expenses 1930-1954.

THE REAL GAIN



Gross income, ordinary dividend and expenses, corrected for retail price index (1938=100).

THE ECONOMIST, MARCH 13, 1954



Every Sunday, nearly 3,000,000 copies of this famous newspaper are sold. The day following, accounts and order forms to hundreds of agents must go out...

Day of reckoning: Monday!

A BEHIND-THE-SCENES STORY ON the workings of a great national newspaper comes from Associated Newspapers Limited. Their problem was to streamline the office system by which they control the sales operation for the ever-popular "Sunday Dispatch." Statements to all the agents were being handwritten. It threw a heavy load on office staff.

Associated Newspapers Ltd. wanted a system that could guarantee that all figuring on sales accounts was finalized, and weekly accounts sent out, on the Monday following the paper's publication date.

After consultation with Burroughs, they installed Sensimatic Accounting Machines to handle the postings. These are used in conjunction with an ingenious method of invoicing, by which the agent receives, on one single form, a statement, a receipt for his payment, and an order slip for next week's copies.

Result: So fast do these Burroughs machines serve the office that it is now normal practice to get "Sunday Dispatch" weekly statements prepared

and dispatched on Mondays. Cash collection is swift and efficient and next week's orders come back in time for action by the circulation department.

One more result has been that Associated Newspapers Ltd. are now using Burroughs Sensimatics on sales



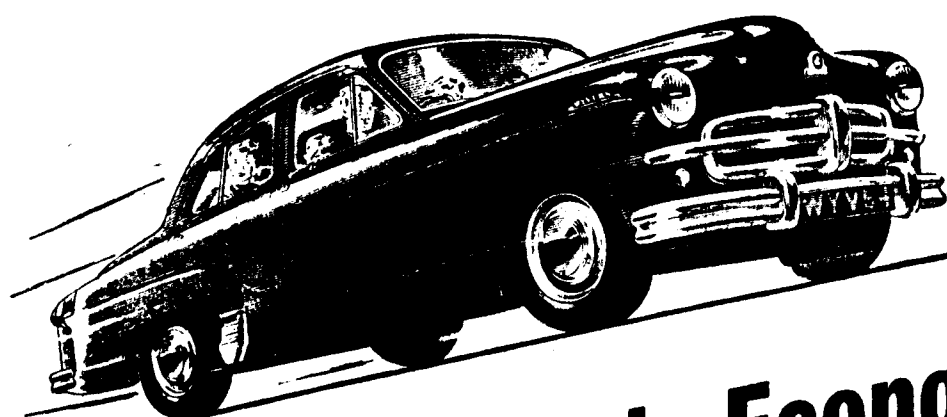
210 postings in 45 minutes—that's a normal rate of work achieved by Mrs. J. Dickens, seen preparing statements for newsagents in the offices of Associated Newspapers Ltd. Watching her use one of the Burroughs Sensimatic Accounting Machines is Mr. Paul Stark, the Burroughs man who helped solve "The Case of the Sunday Dispatch."

accounts for their latest paper, the "Daily Sketch."

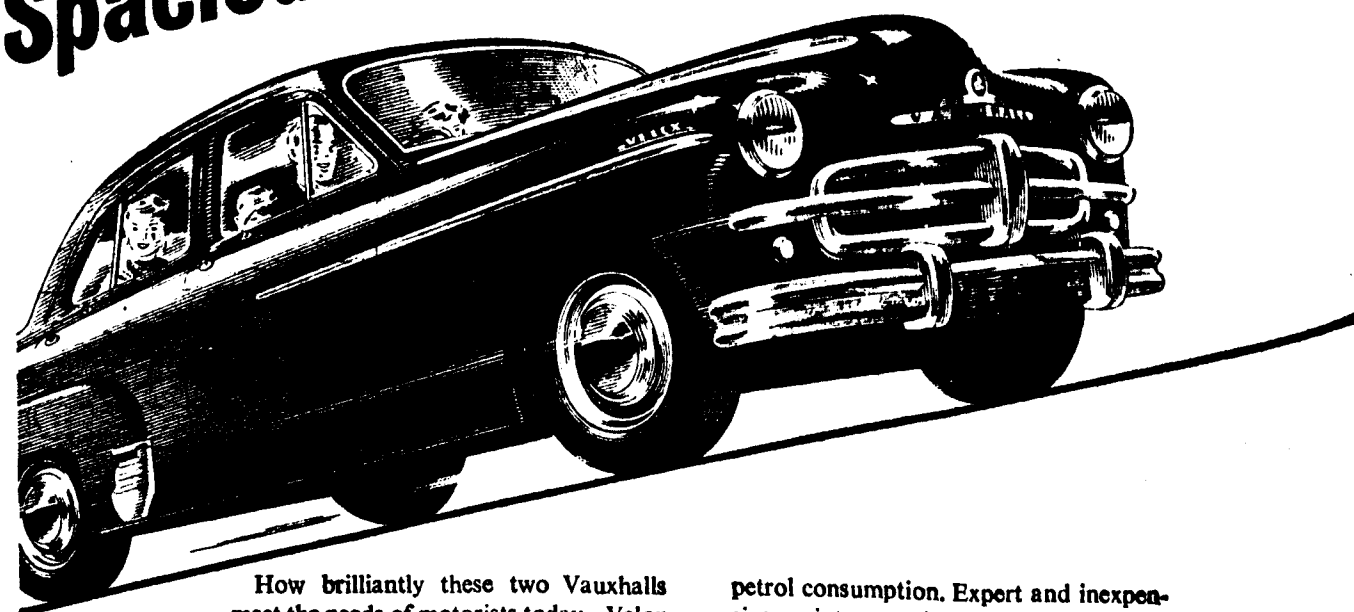
What about you? If your business could benefit from faster, accurate figuring, call in Burroughs. They can offer advice on all the latest systems, for Burroughs market the world's broadest line of modern record-keeping machines: Adding, Calculating, Accounting, Billing and Statistical Machines, and Microfilming 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 St., London, W.1. Sales and Service Offices in principal cities round the world.

FOR EXPERT ADVICE ON BUSINESS FIGURING CALL IN **Burroughs**



Spacious...Powerful...Economical



How brilliantly these two Vauxhalls meet the needs of motorists today. Velox and Wyvern alike are roomy, powerful, easily manoeuvrable cars, a pleasure to drive and completely comfortable for five or even six passengers to ride in.

They are handsome and beautifully finished, yet at the same time surprisingly economical both in first cost and in petrol consumption. Higher compression "square" engines boost power, run longer without overhaul, and reduce

petrol consumption. Expert and inexpensive maintenance is assured by Vauxhall Square Deal Service, operated by dealers in every part of the country with factory trained mechanics, low-cost, genuine parts and standard repair times.

For the owner who wants every penny of motoring value, these roomy, powerful, economical Vauxhalls are unequalled on the road today. Your Vauxhall dealer will be happy to arrange a demonstration run for you.

That's Vauxhall Value!

THE 6-CYLINDER VELOX

Maximum speed of 80 m.p.h. 28.68 m.p.g. at an average speed of 40-89 m.p.h.* Spacious 5/6 seater. Length 14 ft. 4 ins., turning circle only 38 ft. Price £535 plus £224. 0s. 10d. P.T.

THE 4-CYLINDER WYVERN

Same size body and the same modern styling as the Velox. Maximum speed of 70 m.p.h. 33.46 m.p.g. at an average speed of 30-51 m.p.h.* Price £495 plus £207. 7s. 6d. P.T.

Vauxhall Motors Ltd. Luton. Beds.

* From B.A.C. observed petrol consumption tests.

More Power to the Kitchen

MORE than half the electric vacuum cleaners sold at home and abroad by British makers last year were Hoovers, and the company also accounted for 60 per cent of home sales of electric washing machines and about two-thirds of those exported. Sir Charles Colston had these impressive records to show shareholders in his latest, and last, annual review this week—he is retiring from the post of chairman and managing director after 35 years with the company. He had also some encouraging financial results to report; the company has recovered from the trading setback of 1952, and shows a consolidated profit for 1953 of £3,095,000, slightly better than in 1951.

The experience of Hoover seems to have been broadly paralleled in the market for domestic equipment as a whole, though total output is not generally back to 1951 levels. Trade in most lines showed a recovery, almost entirely at home, last year, as will be seen from the table, though this

OUTPUT OF SELECTED DOMESTIC EQUIPMENT, 1950-53
(Monthly averages or calendar months.)

	Electric Washing Machines	Domestic Refrigerators	Electric Vacuum Cleaners	Radio Sets	Television Sets	Domestic Sewing Machines*
	'000	Value £'000	'000	'000	'000	'000
1950..	44.8	990	88.0	151	45.1	7.1
1951..	59.6	1,232	92.3	174	59.2	7.8
1952..	41.4	979	52.7	103	67.6	5.5
1953..						
Jan..	30.2	674	45.0	78	74.8	5.8
Feb..	31.6	608		71	72.7	5.9
Mar..	32.0	868		67	92.0	7.1
Apr..	44.5	1,257	71.0	75	87.0	6.7
May..	45.3	1,607		82	96.1	8.1
June..	47.8	1,452		92	70.5	7.5
July..	48.2	1,273	65.0	84	69.6	3.8
Aug..	45.6	964		87	64.4	3.0
Sept..	63.2	1,186		121	108.1	5.2
Oct..	61.0	972	...	128	129.2	9.7
Nov..	66.0	770	...	130	139.8	9.8
Dec..	...	774	...	...	...	9.0

*Supplies for home market, excluding imports.

was less marked among some of the smaller items such as electric irons and kettles. Electric washing machines and television sets, however, are both in the stage of rapid initial expansion in the British market, and were hardly affected by the 1952 setback in trade. Refrigerators, too, are still in the stage of market expansion, but it has been a protracted one; production for the home market last year was still 25 per cent below the levels of 1950 and 1951.

Probus et Fidelis

LONDON is traditionally a meeting ground for the world's bankers, but it is not often that leading domestic and overseas bankers are gathered together at a single point—

as happened this week in tribute to the English Institute of Bankers on its seventy-fifth anniversary. By courtesy of the Lord Mayor, the occasion was fittingly celebrated at dinner in the Mansion House. At its foundation, in 1879, the objects of the Institute were somewhat wider than they are to-day; it provided a forum for the discussion of major problems of banking principles and organisation and a means by which the banks—the relatively numerous banks—could formulate action in furtherance of their common interests. The Institute's first president, Sir John Lubbock, later Lord Avebury, sponsored the all-important Bills of Exchange Act of 1882, often regarded even to-day as a model of what good legislation should be. He is also remembered as the originator of the Bank holiday. In modern times these more general functions have been taken over by other organisers of English banking, and the Institute's function in the sphere of bank education and provision of an examination system has become its primary function.

Although the range of its work has narrowed, the role of the Institute has steadily extended as the need for the training and education of bank staffs has become increasingly apparent. It is well recognised as an indispensable part of the machinery of banking, and much of the tradition of the English banks is attributable to its work. That tradition has now been enshrined in the grant of arms to the Institute—over the motto "Probus et fidelis." The Institute, if it chooses, can play an even more important part in the future than in the past. The problems of banking, and therefore of the Institute, continue to grow. As Mr Cameron Cobbold, Governor of the Bank of England, emphasised this week, the problems now being faced in central banking and monetary management are new problems; they cannot be solved simply by searching in dusty textbooks of the past.

Diesels on the Road

THE potential market in this country for diesel-engined passenger cars, which was discussed in two articles in these columns on January 2nd and 9th last, will shortly have its first real test. The Standard Motor Company has announced that from next month the Vanguard saloon and estate car will both be available with a variant of the diesel engine (of similar capacity to the Vanguard petrol engine) manufactured for the Ferguson tractor. The engine itself weighs 100 lb more than the petrol engine, but the concomitant stiffening of the chassis, together with the heavier battery and starter motor needed, gives a total weight increase of 2 cwt. The reduction in maximum speed is from 80 mph to little more than 60 mph, while the acceleration is no doubt considerably less lively. The increase in price is £180, making with purchase tax a total difference of £255. To set against these various disadvantages, there is probably a saving of one-third in the fuel consumption, which should be enough to cover the extra first cost in 40,000 miles of running; the life of the somewhat noisier engine should be longer, and maintenance costs should be less.

In the field of medium weight commercial vehicles, where the balance as measured by new registrations is still overwhelmingly in favour of the petrol engine, a substantial

change may soon become evident. The earlier articles referred to the new Ford "Cost Cutter" engine and to the obvious possibility that, as with the Fordson tractor, the diesel variant might be offered for road vehicles. The Ford Motor Company are now offering the diesel engine in vehicles with a capacity of 2 tons and of 3 tons, at an extra price of £100 (in the case of tractors, the price difference is £55). The engine is rated to give a maximum of 60 bhp against 70 bhp in the petrol version—in the tractor both engines are rated to give 40 bhp. A saving for the tractor over its whole life is claimed of the order of £700. On the road, goods vehicles pay a similar price per gallon for motor spirit and for diesel oil; even so, the fuel and other savings of the diesel engine should cover the extra cost a number of times in the course of its life.

Future of Banking

BY coincidence, several of the issues of banking controversy aroused by a recent contribution to *The Economist*—and further discussed in "Letters to the Editor" on page 766 figure also in a thoughtful paper read this week by Professor R. S. Sayers before the Manchester Statistical Society. Speaking on "Twentieth Century English Banking," Professor Sayers was ostensibly concerned in a retrospect of salient banking trends since the Baring crisis of 1890, but in fact he conjured up some intriguing pictures of what the future might hold. The English banks in this past half century have become even bigger and fewer, and therefore more uniform in their structure and methods of business. They have remained keenly competitive (though the range of rate agreements is somewhat more extensive than Professor Sayers suspects), but has this competitiveness sufficed to ensure their maximum efficiency? The answer, Professor Sayers thinks, is "not quite automatic." The British public likes its financial business to be transacted in an atmosphere of a "certain dignity and comfort"—which the banks supply by their "many fine and well-staffed offices" and by what Professor Sayers regards as "certain expensive habits."

More particularly, the biggest change in the banking system in this half century is that the banks' original and still crucial function of acting as intermediaries between private lenders and private borrowers in the capital market has become more and more overshadowed by their function of making payments and keeping accounts for the whole community. This "ledger clerk" function, together with the growth of uniformity and the familiar fact that the Government dare not allow any large bank to fail, has transformed the banks into public utilities (the capital of which, however, is not and should not be fixed-interest capital). The "ledger clerk" function, Professor Sayers suggests, is the crux of the question of efficiency; to remunerate it, a larger proportion of total banking costs is being shifted from the borrowing customer to the credit customer—to an extent sufficient "to check the growth of the banking habit and to alienate small customers." The remedy, Professor Sayers suggests, might be to "hive-off" this accounting work from the banks on to a "single and highly centralised and mechanised branch of the Post

Office," leaving the banks free to concentrate on their original function in the capital market.

Judging from Continental experience, Professor Sayers thinks that such a change might yield real economies and a reduction in charges to the public for the accounting function, but he admits that it might create difficulties in the discharge of the lending function. If, for that and other reasons, no such radical change lies ahead, Professor Sayers thinks that there would still be need for a drastic change in principles of bank charging. He suggests that the present trend towards increasing the proportion of costs borne by the credit customer should be reversed—because the lending services, as distinct from the "ledger" services, are the ones that only the banks can perform efficiently. The credit customer should not be penalised by the fact that the banks retain a function that others, so it is suggested, might perform more cheaply. Here is material in plenty to provoke new controversy; comment is perhaps best deferred until the banks themselves have disclosed their point of view.

SHORTER NOTES

The special procedure under Section 23 of last year's Transport Act, which allows for increases in railway charges to meet increased costs without the normal lengthy hearings, may be used by the Transport Commission for an application to increase London Transport passenger fares—probably certain of the lowest single fares and some season ticket rates. The London Transport Executive, at present fares, is making practically no contribution to the central charges of the Commission, which has therefore a strong case for an increase; it remains to be seen, however, whether the Government is yet prepared to make the Londoner pay for his ride.

Mr Peter Thorneycroft, President of the Board of Trade, made some significant comments on institutional equity investment at a dinner of the Institute of Actuaries last Wednesday which deserve quotation.

It is not the policy of the present Government to tell insurance companies how much they should invest in industry, still less to tell them the particular branches of industry they should select, though I welcome the fact that companies have found it sound policy to increase their equity holdings. I am confident that the importance of maintaining industrial expansion will continue to be in the forefront of your minds.

The prospect of an International Tin Agreement is much improved since the United States government announced that though it would not sign the agreement, it did not object to other countries doing so, and would hold its excess tin off the market. Acceptance of the agreement by the producing countries is virtually assured, and a majority of consuming countries is likely to respond to the American "all clear." The agreement, which is open for signature until June 30th, has been signed by the British and Belgian governments.

After the flurry of alarm caused by the American government's announcement that all its 14 weather-ships would be withdrawn from the Western Atlantic by the end of June, the matter has been amicably settled in Paris on the basis of the withdrawal of three American ships and a slight re-shuffling of financial liabilities. The other member countries have conceded the justice of the American case that United States internal weather bureaux got none of the benefits from the service that their European counterparts enjoyed, since Atlantic weather travels from West to East. Under the new agreement, which will run for two years, 80 per cent of the costs of the service will be shared between the members on the basis of the Atlantic crossings made by each country's airlines. The balance of

20 per cent will be allotted according to the "non-aeronautical" benefits received

As Germany's creditor position in the European Payments Union continues to increase, the Council of OEEC has decided that any surplus earned by Germany between now and May 1st will be settled as to 50 per cent in gold or dollars and 50 per cent by the granting of credit by Germany to the Union. The Council has also decided to increase the temporary extension of Austria's quota of \$70 million from \$31 million to \$60 million. Within the limits of this extended "rallonge" any surplus earned by Austria will likewise be settled 50 per cent in gold or dollars and 50 per cent in credit.

Company Notes

ASSOCIATED ELECTRICAL INDUSTRIES. The meat of AEI's full accounts for 1953 is contained in one short paragraph in the directors' report: "The steady increase in the production of the AEI group factories, resulting from postwar capital expenditure on replacements and extensions, has been fully maintained during the year." They add that "a satisfactory increase in the value of

	Years to Dec. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	12,113,832	13,456,282
Total income.....	12,336,489	13,960,993
Depreciation.....	1,014,299	1,248,521
Replacement reserves	1,330,000	1,377,000
Taxation.....	7,202,406	7,812,314
Net profit.....	2,702,048	2,933,264
Ordinary dividends ..	931,413	1,097,736
Ordinary dividends (per cent).....	20*	11½
Retained by subsidiaries.....	1,184,871	1,433,153
General reserve.....	500,000	500,000
Added to carry forward.....	5,875	53,156
Cons. balance sheet:—		
Fixed assets, less depreciation.....	11,122,562	12,014,070
Net current assets ..	40,526,683	42,106,539
Stocks.....	36,039,077	36,769,846
Cash, etc.....	2,763,693	6,180,973
Reserves.....	32,199,721	26,691,090
Ordinary capital.....	8,870,596	17,741,192

£1 ordinary share at 46s. 0d. yields £4 18s. per cent.
*Equivalent to 10 per cent on new capital after 100 per cent share bonus.

export shipments continued, in the face of keen competition from abroad." This guarded statement leaves several questions to be answered at the general meeting. Are orders coming in as fast as they were? Does the reference to the "value" of exports mean that the volume of AEI's overseas trade also went up last year? Now that the prospect facing the capital goods industries is less certain a fuller exposition seems warrantable.

Apart from this statement the full accounts add surprisingly little to the preliminary statement (discussed in these columns last week) which showed that the ordinary dividend had been effectively raised from 10 to 11½ per cent. The advance in trading profits clearly stemmed from another increase in turnover, but it is not clear whether profit margins were

wider or narrower than in 1952. Whether or not gross profits of AEI have reached their peak the group's capital programme continues without interruption. Last year about £2 million was spent on fixed assets and outstanding capital commitments are estimated at £2,890,000, though it is not clear how much of this is being spent on new equipment and how much on replacements. At present the group seems to have enough liquid funds to meet its capital commitments without discomfort for the major item in its balance sheet, the holding of stocks, hardly altered last year. AEI's full accounts leave enough questions unanswered to provide the chairman, Sir George Bailey, with the occasion for an interesting speech at the meeting.

CANADIAN PACIFIC. The boom in Canada is a broken-back affair for Canadian Pacific Railway. Last year the increase in working expenses more than matched the rise in gross earnings from its railways so that net railway earnings fell slightly, from \$28,930,780 to \$28,884,572. The general freight rate increases at the beginning of the year, though they led to the rise in gross earnings, failed to provide any increase in the net figure because the volume of traffic

	Years to Dec. 31, 1952	1953
Earnings:—		
Gross earnings.....	457,808,969	470,571,371
Working expenses ..	428,878,189	441,686,799
Net earnings.....	28,930,780	28,884,572
Other income.....	22,651,775	16,802,051
Total income.....	51,582,555	45,686,623
Fixed charges.....	12,504,010	14,236,161
Net income.....	39,078,545	31,450,462
Ordinary dividends ..	20,664,464	20,710,474
Ordinary dividends (per cent).....	6	6
Transferred to P/L account.....	15,311,699	7,609,402

\$25 ordinary stock at \$42½ yields £6 9s. per cent.

declined (for like other railways CPR loses traffic to the road haulage companies, particularly on high value freights) and because operating costs (particularly wages) rose.

In past years buoyant earnings from the

undertaking's shipping and hotel interests have compensated in part for the disappointing railway results. But last year "other income," arising from these sources, fell from \$22,651,775 to \$16,802,051; within this total a profit of \$3,690,516 from shipping was turned into a loss of \$511,991, owing to a reduction in the volume of cargo and lower freight rates. CPR's net income fell from \$39 million to about \$31½ million, but the ordinary dividend was maintained at 6 per cent.

Perhaps the most disturbing feature of this unhappy experience is that CPR had last year to defer part of its maintenance programme. It is finding it increasingly difficult to attract capital to expand and improve its rail services, so that it is not at all surprising that the company continues to press for further increases in rail freights. With Canadian Pacific doing so badly at the height of Canada's boom, the outlook when prosperity fades is disturbing.

LEYLAND MOTORS. The full accounts of Leyland Motors and the statement by the chairman, Mr Basil Nixon, leave a gloomy impression. In the year to September 30th last, the volume and value of the group's turnover fell, trading profits and net profits declined, and the ordinary dividend was left unchanged at 25 per cent. Nor to judge by the tone of Mr Nixon's statement will there be any revival in trade and profits this year.

Speaking of the commercial vehicle industry he said: "Order books have contracted, backlogs are rapidly being cleared, delivery dates have shortened and competition both at home and abroad is keener." He also drew attention to the rise in costs at home, the penalty that high fuel taxes impose on heavy commercial vehicles and the sudden contraction of the Australian market, which is the group's most important overseas outlet. To meet these difficulties the group appears to be concentrating more than formerly on the production of lighter commercial and passenger vehicles. The demand for these, stimulated perhaps by the desire to keep fuel costs down, appears to be holding up better than that for the heavier vehicles in which Leyland specialised. The acquisition of Albion Motors helps the

Leyland group in this respect. Another way out of the difficulties facing the group is to broaden the basis of production. Shareholders will note that Leyland, in addition to extending its business in industrial power units for agricultural and other equipment, has widened its agreement with Associated Commercial Vehicles on the joint production and sale of trolley

	Years to Sept. 30, 1952	1953
Consolidated earnings:—		
Trading profit.....	3,359,290	2,997,498
Total income.....	3,493,276	3,175,973
Depreciation.....	468,076	565,310
Taxation.....	1,760,394	1,425,141
Net profit.....	928,612	771,297
Ordinary dividends.....	239,915	251,339
Ordinary dividends (per cent).....	25	25
General reserve.....	765,000	580,000
Added to group carry forward.....	<i>Dr 16,211</i>	35,756
Cons. balance sheet:—		
Fixed assets, less depreciation.....	3,556,259	4,178,186
Net current assets.....	10,386,318	10,087,128
Stocks.....	12,413,466	12,028,324
Cash.....	556,244	264,493
Bank overdraft.....	1,124,267	1,440,454
Reserves.....	9,743,078	10,358,834
Ordinary capital.....	1,827,920	1,827,920

£1 ordinary stock at 82s. 6d. xld yields £6 1s. per cent.

buses to cover diesel trains and rail traction units. But these new developments will not pour much oil on the "rougher water in a buyers' market" that Mr Nixon mentions. The best, it seems, that equity shareholders can expect will be the maintenance of the 25 per cent dividend and on this basis the yield of 6½ per cent at the current price of 82s. 6d. xld. seems narrow enough.

UNITED STEEL. The full accounts of United Steel Companies for the 53 weeks to October 3rd add just a

few details to the information set out in the company's prospectus when its 14 million ordinary shares were sold back to the public at 25s. each. About 30,000 equity shareholders will receive copies of this report. Among them are 131 shareholders holding more than 10,000 shares each. The Co-operative Insurance Society with more than 300,000 is the largest shareholder and three others (Morgan Nominees, London and Manchester Assurance and Prudential Assurance) own between 100,000 and 200,000 shares each. Most of the other large holdings of between 10,000 and 100,000 are owned by other institutional investors, including insurance companies and pension funds investors.

These shareholders will find in the full accounts that, as the directors fore-shadowed in the prospectus, profits after depreciation were just over £9 million. The directors also publish a breakdown of the group's gross trading account. Gross income was about £80.9 million. From this sum the cost of raw materials and general trade expenses took 60.3 per cent, wages 22.4 per cent and delivery charges 4 per cent, while dividends (after tax) absorbed only 1 per cent.

As the directors explained in the prospectus, profits in 1952-53 were exceptional; in the future, they added, a profit after depreciation of £6 million would not be unsatisfactory. From this profit they would be able to declare without any discomfort an ordinary dividend of 9 per cent. It is the political risk rather than the fear that the massive development programme (estimated to cost over £13 million) will act as a drag on these dividends that explains why the £1 ordinary shares now stand at 22s. 9d. xld., to offer a yield of 7.9 per cent.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Feb. 24, 1953	Nov. 24, 1953	Dec. 1953	Jan. 26, 1954	Feb. 23, 1954	Feb. 24, 1953	Nov. 24, 1953	Dec. 1953	Jan. 26, 1954	Feb. 23, 1954
2½% Consols.....	83.5	91.2	90.1	90.7	90.6	4.24	3.88	3.93	3.90	3.91
Debt securities:										
Industrial.....	80.7	87.3	87.6	87.7	87.8	5.10	4.71	4.70	4.69	4.69
Investment trust.....	81.6	88.8	89.6	89.6	90.0	5.06	4.65	4.61	4.61	4.59
Preference stocks:										
Industrial.....	85.9	91.6	91.7	91.7	91.7	5.28	4.95	4.94	4.95	4.95
Investment trust.....	85.2	87.7	88.4	88.6	88.5	5.30	5.03	4.99	4.98	4.98
Ordinary stocks:										
Banks.....	84.7	98.4	99.3	98.7	97.1	4.80	4.27	4.23	4.42	4.50
Industrial insurance.....	105.6	116.6	114.4	110.4	117.7	5.38	4.94	5.04	5.22	4.90
Investment trust.....	119.5	134.2	135.0	140.6	147.3	5.43	5.26	5.24	5.10	4.92
Electrical engineering.....	98.2	105.5	102.9	105.0	108.3	5.64	5.59	5.78	5.65	5.49
Engineering.....	111.2	115.9	114.4	117.9	122.6	5.05	5.07	5.26	5.11	5.07
Motors and aircraft.....	112.3	115.0	118.1	120.1	125.8	5.94	6.11	6.11	6.02	5.74
Breweries.....	99.7	103.2	99.8	102.6	104.0	6.41	6.32	6.65	6.45	6.38
Chain stores.....	122.8	152.2	167.0	178.1	179.7	4.66	4.33	3.95	3.89	3.88
Cotton textiles.....	89.2	106.9	110.7	113.8	116.3	7.26	5.98	6.05	6.10	6.46
Household goods.....	91.0	109.8	112.0	118.6	124.1	6.24	5.05	4.98	4.82	4.85
Rayon.....	75.3	79.8	79.5	81.5	84.3	6.69	4.27	4.41	4.33	4.77
Tobacco.....	82.0	90.5	88.8	87.4	84.6	7.07	6.52	6.65	6.76	6.98
Wool textiles.....	85.0	102.2	102.6	104.8	106.5	5.92	5.47	5.64	5.51	5.81
Chemicals.....	117.1	127.3	128.9	134.9	143.9	5.38	5.03	4.96	4.75	4.51
Oil.....	108.3	122.3	125.5	133.9	139.5	6.89	6.52	6.42	6.51	6.30
Shipping.....	113.9	116.7	114.3	120.4	126.3	6.33	6.53	6.67	6.35	6.06
Total (capital goods).....	109.1	113.2	112.5	115.2	119.6	5.55	5.70	5.83	5.70	5.55
Total (consumption goods).....	95.9	109.7	110.8	111.5	115.9	6.27	5.68	5.70	5.60	5.68
Total industrial (all classes).....	102.5	112.4	113.1	117.1	120.5	6.03	5.72	5.76	5.65	5.60

LONDON STOCK EXCHANGE

Next Account begins: March 17th.
Next Contango Day: March 17th.
Next Settlement Day: March 23rd.

THE stock market gave a reasonably good account of itself this week. Gilt-edged stocks continued to improve, and this helped to keep equity prices reasonably buoyant. The terms of the Glasgow issue, of which it was later announced 65 per cent had been left with the underwriters, prompted a belief in the market that the end of coupon rates of 4 per cent was in sight. Hence, a steady demand developed for the high coupon stocks, both among the Funds and Dominion and Colonial issues. On Wednesday this demand broadened out to include the undated issues and on Thursday prices remained steady in spite of the failure of the Glasgow issue, which opened at ½ discount. In the banking section, National Bank of India were marked up sharply on the news of the capitalisation of reserves. German and Japanese stocks improved in the foreign market and some interest was taken in "iron curtain" issues. Then, on Wednesday German Potash leapt forward in response to a strong demand from Swiss buyers; Potash Sevens gained 6 points to 188.

Equity prices edged upwards this week. The strongest sector was that dealing in store shares, but paper, building material and electrical equipment shares were also firm. On the other hand tobacco shares were marked down sharply and motor shares were inclined to lose some ground. But in this sector Ford Motor advanced on Wednesday, following the absorption of a line of shares. After the announcement of the Standard-Rover proposals to merge, their shares were marked down slightly. Donaldson Line were marked up sharply in advance of the company's statement on its trade in the Pacific. The market in oil shares was dominated by the rise in Anglo-Iranian on Tuesday (when the Persian oil discussions opened) to 11½; this gain was not held and at the close on Wednesday the shares were quoted at 10½. Rubber and tea shares were irregular. Kaffirs remained reasonably firm, and on Wednesday morning the increase in the Rand native labour force brought in a few buyers.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Mar. 3....	135.0	111.81	3.92	5.40
" 4....	135.4	111.79	3.92	5.38
" 5....	135.8	111.80	3.92	5.36
" 8....	135.7	111.80	3.93	5.37
" 9....	135.9	111.85	3.92	5.36
" 10....	136.1	111.90	3.92	5.35
1954, High.	140.2	112.47	Total bargains 1954	
(Feb. 9)	(Feb. 18)	Mar. 3	10,716	
Low.	131.1	111.78	" 4	10,413
(Jan. 1)	(Jan. 5)	" 5	10,555	
1953, High.	131.5	112.55	" 8	12,779
(Nov. 4)	(Nov. 27)	" 9	10,247	
Low.	113.9	105.63	" 10	9,529
(May 20)	(Jan. 5)			

* July 1, 1935=100.

† 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Mar. 10		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Mar. 3, 1954	Price, Mar. 10, 1954	Net Yield, Mar. 10, 1954 %	Gross Yield, Mar. 10, 1954 %	Prices, 1954 Jan. 1 to Mar. 10		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Mar. 3, 1954	Price, Mar. 10, 1954	Yield, Mar. 10, 1954 %	
High	Low							High	Low							
100½	99½	Exchequer 2½% 1955	100½	100½	1 1 3	2 2 11	48/6	41/4	12½c	15 c	STEEL & ENGINEERING		46/-	45/3	6 12 7	
102½	101½	Exchequer 3% 1960	101½	101½	1 6 9	2 13 7	14/2½	13/1½	15 c	5 a	B.S.A. £1		13/9	14/-	6 12 10½	
100½	99½	Exchequer 3% '62-63	100½	100½	1 13 1	3 0 11½	55/-	49/9	10 b	5 a	Camell Laird 5/-		51/6	53/6	5 12 2	
99½	99½	Serial Funding 1½% 1954	99½	99½	0 18 2	2 1 6	24/9	22/1½	2½a	7½b	Guest Keen N'fold £1		22/9*	22/9*	7 18 3	
99½	99½	Serial Funding 2½% 1957	99½	99½	1 5 0	2 7 2	53/-	47/6	12½b	2½a	United Steel £1		51/3	52/6	5 14 3	
101½	101	Serial Funding 3% 1955	101½	101½	0 14 8	2 6 8	37/10½	32/-	4 a	11 b	Vickers £1		34/-	36/-	8 6 8	
100½	100	War Bonds 2½% '54-56	100½	100½	1 3 9	2 6 11½	27/1½	24/9	12	6 a	Bradford Dyers £1		25/6	26/3	6 1 11	
100½	100½	Funding 2½% '52-57	100½	100½	1 3 1	2 9 7½	56/6	49/4	7½b	5 a	Celanese 10/-		53/6	52/6	4 15 3½	
101½	100½	Nat. Def. 3% '54-58	101½	101½	1 4 11	2 12 8½	27/4½	25/2½	6½b	6½a	Coats (J. & P.) £1		26/1½	26/10½	5 4 2	
102½	101½	War Loan 3% '55-59	102½	101½*	1 6 2	2 12 5½	53/3	47/4	5 a	10 b	Courtaulds £1		47/9	48/3	6 4 4½	
97½	95½	Savings Bonds 3% '55-65	96½	96½	1 19 6	3 7 3½	69/3	64/-	20 c	5 a	Lancs. Cotton £1		66/6	66/6	6 0 4	
98½	97½	Funding 2½% '56-61	98½	97½*	1 14 5	2 16 11½					Patons & Baldwins £1					
94	92½	Funding 3% '59-69	93½	92½*	2 4 0	3 11 11½	46/6	41/9	7½a	7½b	Assoc. Elect. £1		46/-	46/-	4 17 10½	
95½	93½	Funding 3% '66-68	94½	94½	2 1 6	3 9 7½	44/-	38/-	10 c	2½a	B.I.C.C. £1		41/-	41/-	4 17 7	
102½	100½	Funding 4% '60-90	101½	102½	1 18 4	3 16 4½	44/6	39/3	5 a	6½b	English Elect. £1		41/3*	40/-*	5 0 0m	
92½	90½	Savings Bonds 3% '60-70	91½	91½	2 5 4	3 13 9½	43/9	37/9	7½b	3½a	General Elect. £1		42/6*	40/-*	5 12 6	
91½	90½	Savings Bonds 2½% '64-67	90½	91½	2 4 2	3 8 9½					MOTOR & AIRCRAFT					
103½	101½	Victory 4% '20-76	101½	102	2 0 4	3 16 0½	20/6	18/6	6½b	3½a	Bristol Aero 10/-		19/4½	19/1½	5 3 3	
89½	87½	Savings Bonds 3% '65-75	88½	88½	2 6 7	3 15 9½	7/1½	6/3½	4 a	6½b	Brit. Motor 5/-		6/7½	6/7½	7 18 6	
94½	93½	Consols 4% aft. Feb. '57	94½	94½	2 6 6	4 4 9½	29/3	26/-	7½c	7½c	De Havilland £1		28/-	28/4½	5 4 10	
86½	84½	Conv. 3½% aft. April '61	85½	85½*	2 5 2	4 2 1½	43/1½	35/9	15 c	15 c	Ford Motor £1		42/3	42/9	3 10 2½	
99½	99½	Conv. 3½% 1969	99½	99½	1 19 11	3 11 8	56/-	47/7½	6 a	9 b	Hawker Siddeley £1		54/6	55/9	5 7 7	
64½	63½	Treas. 2½% aft. April '75	63½*	63½*	2 3 4	3 18 8½	97/-	82/-	25 c	25 c	Leyland Motors £1		85/-	82/6*	6 1 3	
75½	74½	Treas. 3% aft. April '66	74½*	74½*	2 4 3	4 0 4½	36/1½	31/-	2 a	8 b	Raleigh Ind. £1		35/6	35/6	5 12 8	
94½	92½	Treas. 3½% '77-80	93½	93½	2 5 1	3 18 6½	70/3	66/-	10 b	5 a	Rolls Royce £1		66/10½	66/3	4 10 7	
94½	92½	Treas. 3½% '79-81	93½	93½	2 4 9	3 17 8½	6/9½	5/5½	12 c	12 c	Standard Motor 5/-		6/-	6/-	9 4 7	
85	83	Redemption 3% '86-96	83½*	83½*	2 4 10	3 15 3½					SHOPS & STORES					
85½	84½	War L'n 3½% aft. Dec. '52	85½	85½	2 5 3	4 2 8½	26/-	22/9	20 c	10 a	Boots Pure Drug 5/-		23/3*	23/3*	4 6 0	
64½	63½	Consols 2½% '68-73	63½*	63½*	2 3 0	3 18 2½	36/6	32/-	12½a	37½b	Debenhams 10/-		34/3	35/-	5 14 3m	
90½	88½	Br. Elec. 3% '68-73	89½*	89½*	2 6 4	3 15 0½	101/-	92/9	17½b	5 a	Lyons (J.) "A" £1		100/-	100/-	4 10 0	
89½	87½	Br. Elec. 3% '74-77	88½*	88½*	2 5 11	3 14 11	88/6	73/10½	35 b	20 a	Marks & Spen. "A" 5/-		84/-	88/-	3 2 6	
105½	103½	Br. Elec. 4½% '74-79	103½*	104*	2 1 10	3 19 0½	71/7½	64/-	20 a	40 b	Woolworth 5/-		69/-	71/-	4 4 6	
95½	93½	Br. Elec. 3½% '76-79	95½*	95½*	2 3 10	3 17 0½	11½	8½	30 b	5 a	Anglo-Iranian £1		10½	10½	3 5 1	
84½	83½	Br. Trans. 3% '78-88	83½*	84½	2 6 6	3 17 1½	76/4½	56/10½	12½b	2½a	Burmah Oil £1		71/3	75/7½	3 19 4	
90½	88½	Br. Trans. 3% '68-73	89½*	89½*	2 6 5	3 15 1½	43½	43½	12 b	4 a	Royal Dutch 100 fl.		43½	43½	3 18 8	
102½	100½	Br. Trans. 4% '72-77	101½	101½	2 2 5	3 18 8½	100/10½	93/4½	10½b	5½a	Shell Reg. £1		98/1½	100/-	5 9 1	
85½	84½	Br. Gas 3% '90-95	84½	85	2 4 3	3 15 6½	20/7½	17/6	5½a	15½b	Trinidad L'holds 5/-		19/6	20/-	4 10 11½	
98½	96½	Br. Gas 3½% '69-71	96½*	97½	2 2 5	3 14 6½					SHIPPING					
102½	99½	Br. Gas 4% '69-72	101½	102	2 1 8	3 17 6½	42/-	37/9	13½b	2½a	Cunard £1		40/-	40/-	8 0 0	
(e) To earliest date. (f) Flat yield. (h) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.								79/9	62/6	14 b	6 a	P. & O. Def. £1		79/6	78/6	5 1 11
							34/9	32/-	10 c	10 c	Royal Mail £1		33/6	33/6	5 19 5½	
								78/-	67/9	22½b	5 a	MISCELLANEOUS				
							50/1½	44/-	15 c	16 c	Assoc. Port. Cem. £1		73/1½	72/-	4 3 4½	
							39/6	36/-	8 b	4 a	Bowater Paper £1		45/7½	46/3*	6 18 4	
							43/3	37/3	12½c	4½a	Brit. Aluminium £1		39/-	38/6	6 4 8	
							38½	37½	3 a	3 a	Brit. Amer. Tob. 10/-		37/6*	38/-*	5 19 6	
							6/10½	5/1½	6½a	11½b	Canadian Pacific \$25		44½	44½	6 8 6	
							39/9	34/9	35 c	5 a	Carreras "B" 2/6		6/3	6/6	7 19 1	
							21/-	18/5	17½c	17½c	Decca Record 5/-		36/-	37/6	4 13 4	
							58/9	53/-	8 b	6 b	Dunlop Rubber 10/-		19/6	19/9	6 18 2½	
							57/7½	50/6	8½a	8½a	Imp. Chemical £1		56/3	56/9	5 6 8½	
							57½	56½	\$2.60c	\$2.35c	Imp. Tobacco £1		50/6*	52/-*	7 13 10	
							67/9	61/6	7½a	9 b	Inter. Nickel n.p.v.		56½	56½	6 5 11	
							68/9	63/6	3½a	12½b	London Brick £1		55/1½	55/-	5 1 10½	
							61/3	61/3	7½a	7½b	Tate & Lyle £1		65/3	65/7½	4 17 6	
							76/3	69/-	2½a	15 b	Tube Investments £1		65/-	62/-	4 16 9	
							62/3	57/6	8½b	6 a	Turner & Newall £1		72/6	76/-	4 12 1	
											Unilever £1		60/9	61/-	5 3 4½	
								6/3	5/6	5 c	7½c	TEA & RUBBER				
							24/-	20/3	4 c	2½a	Allied Sumatra £1		5/9	5/9	26 1 9	
							42/-	37/9	12½b	5 a	Jhanzie Tea £1		21/9*	21/6*	3 14 5	
											United Sui Betong £1		41/3	41/3	8 9 8	
								6½	5½	40 b	20 a	MINES				
							37/6	32/6	53½b	53½a	Anglo-Amer. 10/-		6½	6½	4 14 1	
							76/7½	70/3	60 a	60 a	Blyvoor 2/6		33/-	33/9	7 18 0	
							82/9	68/3	120 b	80 a	Daggafontein 5/-		70/7½	73/1½	8 4 1	
							52/-	47/6	17½c	17½c	De Beers 5/- Bearer		82/9	81/6	12 5 5	
							18½	16½	50 a	175 b	Johnannesburg Con. £1		49/-	48/6	7 4 4	
											Rhokana £1		18½	18½	12 0 0	
Prices, 1954 Jan. 1 to Mar. 10		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Mar. 3, 1954	Price, Mar. 10, 1954	Yield, Mar. 10, 1954								
High	Low															
46/-	42/3	% 1 a	% 2 b	BANKS & DISCOUNT		42/6	44/6	£ s. d.								
62/6	58/9	6 a	8 b	Barclays £1		59/6	61/-	4 9 11½								
				Lloyds "A" £5, £1 pd.				4 11 0								

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Mar. 6th	Western Europe :	Mar. 6th
Production and Consumption	This week	Production and Trade.....	This week
Manpower.....	Feb. 20th	British Commonwealth	Feb. 20th
External Trade.....	Feb. 27th	Western Europe :	Feb. 20th
Financial Statistics	This week	Prices and Money Supply	Feb. 20th
Industrial Profits.....	Jan. 23rd	United States	Feb. 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	Nov.	Dec.	Jan.	Oct.	Nov.	Dec.	Jan.
INDUSTRIAL PRODUCTION												
Index :												
All industries.....		1948=100	117	114	120	123	112	118	129	132	120	126—127*
Mining and quarrying		"	108	109	109	117	104	118	117	119	108	...
Building and contracting		"	101	103	...	111	94	99	...	...	...	...
Gas, electricity and water.....		"	124	127	132	145	151	153	136	146	148	...
Manufacturing, total		"	121	115	123	124	113	119	134	135	122	...
Engineering, shipbuilding, electrical goods		"	127	127	...	137	124	129	...	...	...	...
Vehicles		"	124	124	...	132	128	128	155	152	...	...
Chemical trades		"	134	132	...	146	136	143	...	...	...	...
Textiles and clothing		"	116	99	...	114	100	111	125	122	...	...
BASIC MATERIALS												
Production of :												
Coal (°)	W	'000 tons	4,275	4,332	4,300	4,587	4,055	4,630	4,597	4,691	4,251	4,595
Pig-iron	W	"	186	202	215	207	206	214	222	229	225	230
Steel, ingots and castings	W	"	301	310	339	345	314	346	355	363	339	360
Sulphuric acid.....	M	"	133.8	125.5	...	140.3	156.7	149.5	163.1	171.2	...	...
Newsprint	W	"	10.13	10.32	11.60	11.12	10.57	11.64	12.77	12.71	10.99	...
Electricity (°)	M	mn. kwh	4,964	5,166	5,459	5,947	6,525	6,609	5,828	6,099	6,533	7,122
MANUFACTURING												
Textile production :												
Cotton yarn, single.....	W	mn. lb	20.71	14.82	17.97	17.53	15.79	16.84	20.33	20.59	18.63	19.80
Worsted yarn	M	"	16.61	14.84	18.41	17.64	17.73	19.26	21.31	20.00	18.85	...
Rayon and synthetic fibres, total	M	"	32.00	23.59	34.94	27.78	29.22	34.38	38.45	36.13	34.86	37.24
" " " staple fibre.....	M	"	13.93	10.59	16.85	14.75	14.88	17.12	18.97	17.54	16.69	18.68
Cotton cloth, woven.....	W	mn. yds	42.3	32.5	35.2	34.9	31.1	32.9	41.2	41.0	36.5	39.1
Wool fabrics, woven.....	M	mn. sq yds	34.8	31.5	34.3	35.1	34.6	37.5	39.2	36.0	33.4	...
Engineering production :												
Passenger cars and chassis	W	'000s	9.15	8.62	11.44	9.96	8.99	10.21	13.29	13.35	12.11	13.40
Commercial vehicles and chassis	W	"	4.96	4.66	4.61	5.02	4.61	5.15	5.44	5.20	4.71	5.00
Metal-working machine tools	M	'000 tons	11.09	12.58	...	12.40	14.30	17.47	13.67	11.93	...	...
Internal combustion engines.....	M	'000 BHP	353	331	311	350	334	311	329	312	303	...
BUILDING ACTIVITY												
Permanent houses completed (°)												
Total	M	'000s	16.24	19.99	26.56	22.14	23.40	20.58	30.03	29.38	33.51	24.60
For private owners.....	M	"	1.88	2.86	5.24	3.71	3.99	3.51	6.86	6.47	6.80	5.60
For local housing authorities	M	"	13.55	16.11	19.91	17.40	18.50	16.08	21.31	21.05	24.42	17.14
Other	M	"	0.81	1.03	1.41	1.03	0.91	0.99	1.86	1.85	2.29	1.86
WHOLESALE SALES (°)												
Textile houses :												
Total home sales.....		Av. value 1950=100	104	90	95	112	98	58	136	116	87	53
Women's and children's wear.....		"	100	90	96	108	92	56	138	109	85	52
Men's and boys' wear		"	104	82	91	106	99	52	130	120	86	48
Piece-goods		"	103	68	66	66	66	51	80	59	57	46
RETAIL SALES (°)												
Large retailers :												
All merchandise		Weekly av. value 1950=100	109	117	124	125	156	112	125	132	162	...
Clothing and footwear.....		"	110	110	113	118	165	85	121	124	175	...
Household goods.....		"	108	102	110	114	129	104	119	126	133	...
Independent retailers :												
Clothing and footwear.....		"	100	95	94	100	134	83	98	99	131	...
Household goods.....		"	112	109	120	124	142	114	131	137	149	...
STOCKS												
Basic materials :												
Coal, distributed (°)		'000 tons	16,115	16,311	18,185	18,882	16,311	14,179	18,786	19,021	18,185	15,968
Steel		"	585	739	...	717	739	770	986	995	...	...
Copper (°).....		"	113.4	132.0	55.3	126.4	132.0	135.2	36.8	50.4	55.3	...
Sulphur		"	99.4	211.8	...	223.6	211.8	203.8	97.5	89.7	...	...
Newsprint		"	109.9	189.7	110.6	181.0	189.7	189.6	118.9	115.4	110.6	...
Softwood		'000 stds.	724	616	749	644	616	644	791	760	749	...
Textiles :												
Wholesale houses, total (°)		Av. value 1950=100	129	74	89	79	74	81	93	94	89	101
Large retailers, clothing and footwear (°).....		"	106	92	102	104	92	87	112	118	102	...

(°) Great Britain. (°) Provisional estimate. (°) 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		million kwh				
1938.....	973	805	2,362	1,336	74	...	363	2,180	...	118	478
1951.....	1,468	1,216	2,869	2,184	508	12.5	875	4,785	489	288	972
1952.....	1,620	1,153	3,019	2,302	646	14.7	942	5,149	517	301	1,045
1953, August	1,712	686	2,748	2,338	1,137	12.9	1,198	5,089	588	321	1,189
" September	1,750	1,010	2,972	2,691	1,092	12.9	1,143	5,089	576	300	1,122
" October	1,752	1,247	2,937	2,416	960	16.6	1,156	5,510	583	304	1,149
" November.....	1,740	1,220	2,677	2,284	...	...	...	5,446	...	282	1,123

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	168	306	...	107	...	...	994.7
1953, September	11.7	25.5	8.5	47.5	4.51	171	294	103	108	87.0	335	1,000.9
" October	12.7	31.6	7.5	49.4	5.87	188	324	127	106	88.6	285	1,015.9
" November	12.3	30.6	8.0	48.4	4.31	182	297	147	105	...	275	1,002.6
" December.....	13.1	27.9	10.5	52.6	4.92	155	273	...	98	...	...	1,021.1
1954, January	11.9	26.6	6.5	50.0	...	...	...	...	...	...	...	1,015.2

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	21.04	19.98	178.3	167.4	34.83	28.02
1953.....	...	...	365	348	...	...	...	...	...	...	...	...
1953, August	52.2	48.7	345	347	500	401	15.22	12.26	83.4	114.0	36.18	24.21
" 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	465	...	15.28	104.8	92.5	36.20	31.60
" November	50.7	85.2	351	355	390	478	...	...	92.1	99.6	32.83	29.61
" December.....	...	...	339	361	...	...	...	...	...	...	...	...

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	...	204	291	...	120	...	...	...	...	137
1953, September	...	1,791	1,732	219	265	179*	121	112	135*	113	133	137
" October	...	1,791	1,720	210	260	...	121	...	...	113	133	137
" November	...	1,813	1,737	207	266	...	121	...	...	112	131	137
" December	...	1,825	...	204	291	...	120	...	...	...	...	137
1954, January	...	1,840	...	...	230	...	120	...	...	...	...	...

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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

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B. T. THAKUR, General Manager.

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subject to income tax at the standard rate

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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.

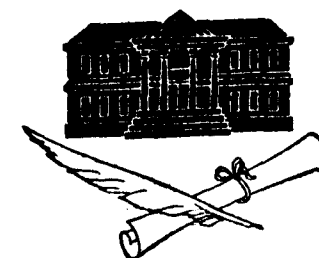
Total Assets £181,183,000

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BUILDING SOCIETY

HEAD OFFICE: ABBAY HOUSE, BAKER ST., LONDON, N.W.1

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An enlightened board appreciates only too well its obligation 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 staff can be attracted away by companies offering better security. Yet nothing is done to organise a properly constituted pension plan because of apparent difficulties and a knowledge that no ready-made scheme can provide a satisfactory answer.

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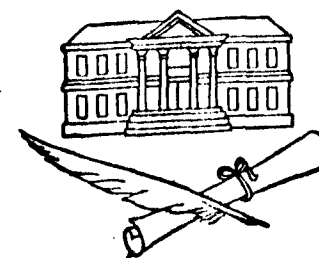
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LONDON WALL 2366



SUBMITTED to the Members at the Ordinary Yearly General Meeting held at the Head Office,
Hong Kong, on Friday, 5th March, 1954

1952		£	1951	£	
3,000,000	CAPITAL, STOCK AUTHORISED AND ISSUED	8,500,000	31,767,519	CURRENT ASSETS, CASH IN HAND, AT CALL AND AT BANKERS	31,495,231
5,000,000	(There is under the Charter a reserve liability of the Stockholders equal to the amount of Stock issued.)	5,000,000	53,243,093	GOVERNMENT AND OTHER SECURITIES AT MARKET VALUE—	
399,215	RESERVE FUND	403,513	9,714,972	Quoted on London Stock Exchange	45,323,206
8,399,215	PROFIT AND LOSS ACCOUNT		3,342,070	Quoted on Overseas Stock Exchange	10,330,709
		8,903,513	66,300,135	Dominion Government and other Securities at Local quotations	3,133,490
					58,787,405
160,608,784	CURRENT AND OTHER ACCOUNTS, including Reserves for Contingencies, Taxation on profits to date, and Exchange Adjustments	147,925,300	929,273	HONGKONG GOVERNMENT CERTIFICATES OF INDEBTEDNESS for surrendered coin lodged against Note Issue	929,273
19,479,617	FIXED DEPOSITS	17,112,487	1,741,250	BRITISH GOVERNMENT SECURITIES at Market Value (Quoted on London Stock Exchange) lodged against Note Issue	1,750,000
2,564,308	NOTES IN CIRCULATION against Security per contra	2,765,064	2,670,528		2,670,278
1,372,229	BILLS PAYABLE	925,985		BILLS OF EXCHANGE, including United Kingdom, Colonial and Foreign Treasury Bills	11,234,845
381	DEPOSITS BY NOMINEE SUBSIDIARIES	381	15,110,157	ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS	67,248,879
13,042	DEPOSIT BY TRUSTEE SUBSIDIARY	10,448	4,832,665	BALANCE OF REMITTANCES, DRAFTS, ETC., IN TRANSIT between Head Office, Branches and Agencies	3,587,080
141,750	PROPOSED FINAL DIVIDEND, less Income Tax	134,750	18,935,514	LIABILITY OF CUSTOMERS FOR ACCEPTANCES, including undertakings to accept per contra	9,184,870
15,935,514	ACCEPTANCES, including undertakings to accept, on account of Customers	9,184,870	205,884,971		184,217,504
200,115,625		178,059,285		FIXED ASSETS—	
				SUBSIDIARIES—Shareholdings at cost	
				Allahabad Bank Limited—	
				Ordinary Shares of Rs. 100 each of which 14,680 are fully paid and 23,080 are paid up to the extent of Rs. 50 per Share	749,510
				The Chartered Bank (Malaya) Trustee Limited—	
				30,000 Shares of Straits \$10 each, \$5 paid	17,500
				Nominee Companies	381
				The net assets of the Nominee Companies amount to £281, represented by deposits with the Bank, per contra	767,391
				BANK PREMISES AND FURNITURE, at cost less amounts written off	1,961,313
				TRADE INVESTMENT, representing Property, at cost less amounts written off	16,500
					2,745,204

NOTES:—(1) There are contingent liabilities on Bills re-discounted, £6,591,381 (1952, £3,061,868) (of which £5,338,603 has run off at 1st March, 1954) and commitments in respect of Confirmed Credits, Forward Exchange Contracts and Guarantees, including Guarantees to Government Departments in India in respect of which securities valued at £294,562 (1952, £184,570) have been deposited with the Reserve Bank of India.

(2) Contracts for outstanding capital expenditure on premises amount to approximately £365,000 (1952, £224,000).

(3) Assets and Liabilities in foreign currencies have been converted into sterling at approximately the rates of exchange ruling on 31st December, 1953.

(4) Under Part III of the Eighth Schedule to the Companies Act, 1948, the Bank is exempted from showing the aggregate amount of its reserves and the movements therein.

H. F. MORFORD, Deputy Chief General Manager.
D. STEWART, General Manager.
W. H. CARRICK, Chief Accountant.

V. A. GRANTHAM, Chairman.
J. L. MILNE, Deputy Chairman.
C. R. CHERRY, Director.

£208,514,840

£186,962,798

(1) The Investments in Subsidiary Companies appearing in the annexed Balance Sheet represent the issued Share Capital of three Trustee Companies and three Nominee Companies wholly owned by the Bank. No Group Accounts have been submitted as the Directors are of the opinion that such Accounts would be of no real value to the members of the Bank.

(2) No part of the Profits earned by the Subsidiary Companies has been dealt with in the Accounts of the Bank. The net aggregate amounts of the Subsidiaries' profits after deducting the Subsidiaries' losses are as follows:—

(i) For the year ended 31st December, 1953	HK \$10,879
(ii) For previous financial years	186,480
	<u>HK \$197,365</u>

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(i) For the year ended 31st December, 1953	HK \$10,879
(ii) For previous financial years	186,480
	<u>HK \$197,365</u>

COMPANY MEETINGS

THE HONGKONG AND SHANGHAI BANKING CORPORATION

SATISFACTORY RESULTS DESPITE DIFFICULT TRADING CONDITIONS

LIQUIDATION OF CHINESE INTERESTS PROCEEDING SLOWLY

BRITISH PRESTIGE ENHANCED IN FAR EAST AND S.E. ASIA

MR C. BLAKER ON ECONOMIC NEEDS

The ordinary yearly general meeting of The Hongkong and Shanghai Banking Corporation was held on March 5th at the head office, 1, Queen's Road, Central, Hong Kong.

Mr C. Blaker, MC, ED, the chairman, who presided, said:

Ladies and Gentlemen, In the past the whole of the chairman's annual survey of events in the East was read by the occupant of this chair. This year, however, we have decided to modify the procedure and to distribute copies of the statement at the meeting, as we feel that you will find it more convenient to have the written text in your hands than to listen to it being read out to you. In making this change we are to a certain extent following the procedure adopted by many other banks and well-known companies who now issue their statements in printed form and only deal with routine matters on the actual day of the meeting. We hope that you will approve of the innovation.

I will now proceed with my formal duties and will call upon the chief manager to read the notice convening the meeting.

Mr Michael W. Turner having read the notice convening the meeting, and a representative of the auditors having read their report, the chairman continued:

The net profit for the year amounts to \$17,294,235, which is some \$27,000 less than last year. As in previous years, this profit has been arrived at after providing for taxation and after making transfers to inner reserves out of which provision has been made for all known bad and doubtful debts and contingencies. The balance of profit brought forward from last year is \$9,489,174 and the total available for appropriation accordingly amounts to \$26,783,409. In view of the expenditure which has been incurred during the year on new banking premises, it is proposed that a sum of \$4 million should be appropriated to write down bank premises, and, after allowing for this amount and the interim dividend of £2 per share, it is recommended that the final dividend should again be £3 per share, leaving a balance of \$9,859,542 to be carried forward to next year. As in the case of other organisations with interests in China, the cost of maintaining our offices there and of complying with the requirements of the Chinese authorities has been a considerable drain on the year's profits and this and other factors have been taken into consideration by your directors in recommending an unchanged dividend for the past year.

BALANCE SHEET FEATURES

A comparison of the balance sheet with that of the previous year shows that the totals of our assets and liabilities have remained virtually unchanged.

On the liabilities side the amount of Hong Kong currency notes in circulation has

remained unaltered throughout the year. Current, deposit and other accounts show a relatively small decrease of some \$3 million and acceptances on behalf of customers a fall of just over \$2 million. Various factors have contributed to these small decreases, which are in general due to the continuation of less active trading conditions.

The principal change in our assets has been a decrease of just over \$54 million in advances. This decrease arises mainly as a result of the low prices for primary products which have continued throughout the year, but it also reflects the general slowing down of trade in the territories in which we operate. This decrease in trade is further demonstrated by a drop of over \$31 million in our trade bills, which, however, is offset by a rise of \$37 million in our holdings of Government Treasury bills, resulting in the figure for bills receivable in the balance-sheet showing a net increase of some \$6 million. The increase in money at call, in cash in hand and in balances with other banks reflects the funds which have become available as a result of the repayment of advances during the year. In this connection it is interesting to note that the ratio of the bank's readily realisable assets—that is, cash, money at call, Government Treasury bills and trade bills—to the total liabilities to customers now stands at a figure of 65 per cent, which indicates a high and very satisfactory degree of liquidity.

CAUTIOUS FINANCIAL POLICY

Difficult trading conditions have prevailed throughout the year in the territories in which we are interested and under the circumstances our results can be regarded as satisfactory, but the outlook at present shows little signs of improvement. Your directors therefore feel that they are justified in continuing to pursue a cautious financial policy and that, in the interests of all, their first concern must be the security and strength of the bank.

Before I formally propose the adoption of the report and accounts I would like to say how much I appreciate the honour of serving as your chairman in succession to Sir Arthur Morse, who, as you know, held this post from the time when our head office was transferred to London in the war until he retired on March 3, 1953. He also held the more arduous one of chief manager. I am glad that only the lighter part of his duties has devolved upon me and that I have had at my elbow the vigorous and keenly perceptive personality of our new chief manager, Mr Michael W. Turner, who has throughout the past year handled with great ability the many problems with which he has had to deal.

I must also take this opportunity of thanking the bank staff as a whole, and especially our branch managers, for the effective way in which they have worked for the interests of the bank in the past year.

POSITION IN CHINA

Shareholders will no doubt want to know what is the position with regard to our offices and valuable properties in China and how our foreign personnel are faring. The latter are well and living conditions are reasonably good, but I am sorry to say that we have not yet been able to complete the closure of our offices which, as you know, we have been trying to liquidate for considerably more than a year. Some progress has, however, been made in Peking, where we have sold our office building, and also in Swatow and we hope that our Swatow agent will be repatriated in the near future. As to the main problem, we have made proposals direct to the local authorities, working in concert with the other British banks, and Her Majesty's Chargé d'Affaires has made representations to the Chinese Government on our behalf. In order to get a speedy and overall settlement we have offered concessions involving very considerable sacrifices, but negotiations have proved difficult and progress has been painfully slow. However, so far as we are concerned, the Chinese have nothing to gain by prolonging our complete liquidation and we are therefore hopeful that progress will be accelerated in the near future. Mr Yoxall, our Shanghai manager, is acting on our behalf in the negotiations proceeding there. He has our full support and confidence.

CHANGES IN LONDON COMMITTEE

Various changes in our London committee must be mentioned next. Sir Arthur Morse joined the committee on September 3, 1953, and became chairman on January 1, 1954, in succession to Mr S. A. Gray, who has done us good service in that capacity since July, 1948, and is now fully occupied with the increasingly onerous work of senior London manager. Mr Gray, however, remains on the committee. Mr C. A. Campbell retired from the committee—on which he had served since the days of Sir Newton Stabb—on June 30, 1953, and we are very grateful to him for his valuable services over such a long period of time. He was succeeded by Mr J. A. F. Binny, a director of the Westminster Bank.

There are also changes in the board of directors.

On September 1st we opened our new office in Paris at No. 22, Place Vendôme, but our Lyons office has not yet been finally wound up. On October 3rd we also opened a new building at Osaka, where previously we had operated from a small rented office, and on January 2nd of this year we opened a new building at Mongkok on the Kowloon side of the harbour.

That, I think, covers all the matters which I should bring to your attention, so I now beg to propose the adoption of the report and accounts as presented. After the proposal has been seconded I shall be pleased to answer to the best of my ability any ques-

tions which shareholders may wish to ask.

The resolution having been seconded the report and accounts were adopted.

CHAIRMAN'S STATEMENT

The following is the statement referred to by the chairman:

No survey of the year 1953—not even an eastern bank chairman's review of events in East Asia would be complete without mention of the memorable occasion of the Coronation of Her Majesty Queen Elizabeth, which was celebrated in an unparalleled way by all British subjects and by very many local residents of all nationalities here in Hong Kong, as well as in every other town where we have active agencies. There have been frequent expressions of loyalty to our Royal Family in the past, but never before have such widespread and genuine demonstrations of popular affection for the Monarch been shown by the British peoples throughout the world as were displayed last year on Coronation Day.

Although Coronation year did not unfortunately bring with it any noticeable abatement of the world-wide cold war, it did eventually see the cessation of open hostilities in Korea and the inception of an optimistic feeling that an improvement of the world political situation would gradually develop as the Korean problem became less menacing. In any case, we can fairly claim that British influence in the Far East and in the countries of South East Asia has gained in prestige. Moreover, although last year trade has again fallen off somewhat, national development programmes have everywhere in the east made progress and the way in which many of the countries in this area have co-operated in the interchange of ideas and of technical assistance will undoubtedly prove to be a matter of considerable importance and give greater cohesion when more stable conditions permit greater economic activity in this uneasy sector of the world.

SOUTH EAST ASIA'S ECONOMIC NEEDS

In each of the past four years my predecessor, Sir Arthur Morse, in his annual statement referred in one connection or another to the immense economic needs of the countries in which we operate. Their requirements were, he stated, higher standards of living, more extensive food and other agricultural production and, indeed, general development, such as the Colombo Plan prescribed, and which in most of these countries is gradually being put into effect through national development plans. These plans have, as is well known, stressed the importance of agriculture, together with basic economic progress, such as the expansion of power, of transport and of communication systems. The latter are prerequisites for coping with any large-scale output of agricultural products, minerals and the primary materials which these countries provide. Last year Sir Arthur referred to many aspects of this same problem and quoted an important phrase of the Paley Commission relating to the needs of a higher standard of living in the free world. In stating his view that the governments of the east should necessarily play their part he urged that "no attempt should be made to introduce industrialisation on a rapid or large scale," as "it would be far wiser to concentrate all available capital and energies on food and agricultural production and on those ancillary industries which depend upon the raw materials available in the country concerned." It was surprising to us to find that in a recent book which received considerable notice in the press, the first part of this quotation was picked out and used in isolation from the second part to support a dogmatic assertion that "already voices are being raised in the City against full-scale development in South East Asia." This is surely a misrepresenta-

tion of the City's attitude to the needs of South East Asia just as it is of ours. Sir Arthur was, of course, dealing with immediate and short-term plans, not with more distant developments when opportunities for large-scale industrialisation may well arise.

What was said last year seems perfectly in line with the plans of all countries in South East Asia. The Colombo Plan, in which most of these countries are partners, from its start emphasised the basic economic needs of the under-developed countries. It stated that "the central problem has been and still is the supply of food" and that "related to the problem of food is that of transport." Next came other basic industrial activities, particularly electric power.

Other authorities can be quoted. For instance, the Director General of the International Labour Organisation in a recent report stated that industrialisation in its wider sense would largely come to East Asia in the second stage of economic development. In the first stage, he said, development planning had little choice but to concentrate primarily on expansion of food production and on the development of basic resources, such as power and transport.

INVESTMENT CLIMATE

It is obvious that in the second stage of development when a wider form of industrial progress will be introduced, capital will be the paramount requirement, but as the President of the International Bank pointed out last September, "the availability of capital cannot by itself be expected to remove some of the most important obstacles to economic growth." Such obstacles are often referred to as the "unfavourable climate," which deters or scares off capital investment. Climate in this sense can to some extent be manufactured by governments, who have it in their power to make conditions attractive for investors. But to a large extent it is determined by the stability, or lack of stability, of the political and economic structure of a country. Where climate is unfavourable the injection of capital on a large scale (if it proves possible as a result of international action) may be indigestible, or even damaging to that country's ultimate good.

PRIVATE CAPITAL

As regards private capital, tendencies in certain eastern countries show a reluctance to permit its introduction by foreign concerns acting independently, but encourage or even obligate joint participation between foreign and domestic capital in new industrial projects. Examples of this can be seen, notably in India, Japan and Burma, but also elsewhere. Where governments favour widespread nationalisation of industries there is, of course, no stimulant to foreign investment. In many countries, and particularly in India, much thought is being given to ways of mobilising larger accumulations of domestic capital through savings, without which development plans will be handicapped. This is important because of the comparatively small amount of foreign capital which is finding its way to South East Asia. However, the low standard of living is an obvious handicap, and improvement in the quantity of savings can hardly be great until more general prosperity reduces the overwhelming poverty. But prosperity in the east is circumscribed by the exasperating problems of the wide fluctuations of prices of foodstuffs and of the raw materials produced in those areas.

PRICES

There are few people interested in world trade who are not aware of the fact that economic progress in the east cannot proceed

steadily without steady prices for its main primary commodities. An advisory committee on under-developed areas, in a report to the Director of the United States Mutual Security Administration last May, rightly stated that the objective should be "not rigidity of prices or demand, but an ironing out of wide fluctuations." But one step further is desirable: that these countries should be able to obtain their essential imports both of food and of consumer goods at prices reasonably in relation to the prices of their exports.

HONG KONG-CHINA TRADE

So far we have dealt in general terms with a problem which not only affects the east, but also is a world-wide one. However, it has very special application to present trends and developments in the countries where we have offices. We must next direct attention to these countries severally and to some of the problems which face British bankers and merchants who operate there.

First of all we propose to take Hong Kong and the vexed problem of trade with China. The facts about what is loosely termed "East-West trade" are well known to shareholders of The Hongkong and Shanghai Banking Corporation, but others are not so well informed. During the past year fantastic complaints have been heard about alleged British perfidy in trading with China. A great deal of this talk has been based on uninformed or misinformed premises. There are those who either do not know or who ignore the fact that, quite apart from the United Nations embargo on strategic goods, the British and United States Governments have agreed that there is nothing injurious to the allied cause in East-West trade being conducted in non-strategic commodities. This applies both in regard to trade with the Soviet bloc and with China. Sir Roger Makins, HM Ambassador at Washington, mentioned this understanding in a speech delivered at Los Angeles on October 5th last. I may say that Sir Roger did not omit to refer to Hong Kong's special position and to its needs. Our Governor here in Hong Kong has also spoken emphatically and made the position of the Colony crystal clear, particularly in a speech last November. Moreover, that prominent American official, Mr Harold E. Stassen, Director of the Foreign Operations Administration, has taken up the cudgels on behalf of East-West trade in non-strategic goods on more than one occasion.

Hong Kong has suffered more from the United Nations embargo than any other country in the world. But her trading difficulties are not due to the embargo alone. They have also been caused by restrictions on obtaining certain materials imposed by the United States and by import controls enforced by some of our neighbouring countries. However, most of the difficulties with the United States have now been cleared up, thanks to the excellent co-operation of American officials stationed in Hong Kong, and from time to time there has been some relaxation of the controls imposed by our neighbours. But the United Nations embargo still remains in force.

During the past months Foreign Office spokesmen have reiterated that the policy of HM Government is to encourage trade with China in all permitted goods. British firms have never deviated from their desire to sell more of such goods to China. They have been, and are still, willing to negotiate details here in Hong Kong, in the United Kingdom, in Peking, in Shanghai or wherever is most suitable to prospective Chinese customers. But the prevailing political tension is a serious handicap.

Official Chinese pronouncements have stressed the desire of the Chinese People's Government to develop international economic relations under peaceful conditions

with any country irrespective of divergent political, social and economic systems. Naturally we look forward to trade relations on normal lines as thus projected, but unfortunately until a political settlement is reached in regard to Korea, and the matter of "recognition" of diplomatic representatives is settled, it is hardly practical to expect the establishment of commercial relations on a basis satisfactory to both sides. The Geneva Conference to be held next month will, we hope, set the stage for bringing diplomatic, commercial and financial relations between our two countries back on to a regular basis, but it would be unwise to expect rapid developments. The Chinese Minister of Foreign Trade, in a recent speech to some British merchants, mentioned the importance of "normal conditions." Let us hope that before long both parties will agree on the interpretation of these two words.

It is a moot question as to what scope there is for the expansion of trade with China. Differing views are held, but we must not do any wishful thinking: a great deal depends on unforeseeable factors and future trends in international affairs. It is, however, obvious that when the embargo has been removed there should be a considerable increase in trade and no doubt there will be keen competition amongst business men of all nationalities.

CHINA'S DEVELOPMENT PLAN

From this point of view a very interesting step was taken during the past year in the announcement by the Chinese Government that a five-year development plan was being launched. Actual details have not been published, but it seems clear that the greatest importance is attached to the expansion of heavy industries and the most important industrial development, it seems, will continue to be concentrated in the North and North-East provinces. It was also announced last September that Soviet aid would play a "key role" in the case of 141 important industries. A further point, which, in the past at any rate, would have been of interest to British investors, is the rapid progress being made with railway construction, particularly across Szechuan Province and in North-West China in the general direction of the Russian Turkestan-Siberian Railway. To subsidise the new industrial plan an issue of the equivalent of £95 million of Economic Construction Bonds at 5 per cent is now being raised throughout the country under a quota system. Much more could be said about China, but reliable information is scarce so I will revert to the subject of Hong Kong.

HONG KONG

This is a suitable moment to express our gratification that Sir Alexander Grantham's term of office as Governor of Hong Kong has been extended to July, 1955. We were pleased when Sir Alexander's term was previously extended to July, 1954, and we are now doubly pleased at this further extension, because the whole community has the utmost confidence in His Excellency and knows that he will support the Colony's best interests, whether commercial, social or political, to the fullest extent of his great abilities.

Hong Kong has so often been the target of attack by certain individuals that last November we especially welcomed the visit of Vice-President Richard Nixon and we wish to place on record here the very friendly attitude which he took in his speeches and interviews. It is good to know that there are not a few influential persons in the United States who understand our problems and realise the importance of our maintaining our position.

Last year was a quiet one for the Colony,

but it cannot be said that it was a satisfactory one from all points of view, although considering the handicaps imposed by the embargo and other difficulties about which I have already commented, things proved better than many expected. Imports, which increased 2 per cent, amounted to the equivalent of about £242 million. Exports decreased 6 per cent and were about £171 million.

As compared with 1952 there was only a very small drop in the recorded tonnage of commercial cargoes discharged and loaded in the port, while shipping tonnage entered and cleared actually increased more than 2½ million tons. It is significant that this was largely due to the increase in Japanese ships from 56, which entered in 1952, to 359 in 1953. However, we must not forget that 2,620 British ships of nearly 5½ million tons entered Hong Kong in the same year.

I will not discuss the details of the trade of the year, but I will remind you that our prosperity is largely tied up with the prosperity of the surrounding countries and if—say, Indonesia and Thailand—are forced to restrict imports for balance of payments reasons as they were during the past year, then there will inevitably be adverse reactions on neighbouring countries such as Hong Kong. The causes of such restrictions are well known but they are often not easy to eliminate: they arise from low prices of basic commodities, high defence expenditures and administrative weaknesses. However, apart from the disappointments caused by the above-mentioned restrictions and the big handicap relating to China, Hong Kong has no reason to be unduly depressed. Although much more trade was done with China in 1950 than in 1953, yet, excluding China, the 1953 trade figures were slightly better than 1950, when trade seemed prosperous and many Hong Kong records were broken. The exports of locally manufactured goods, taking the year 1953 as a whole, improved no less than 31 per cent over 1952 and textile exports were two-thirds of the whole. Electricity production has continued on the up grade. The building industry and property transactions have been buoyant and there has been great activity on the Stock Exchange. On balance additional capital appears to have come into the Colony and bank deposits have increased. No doubt owners of such funds only await the propitious moment when they can profitably employ them in trade or industrial operations.

HONG KONG'S FINANCES

This statement was prepared before the budget meeting of the Legislative Council which took place on March 3rd, so it was not possible to take account of the Financial Secretary's speech in presenting his Estimates of Revenue and Expenditure for the year ending March 31, 1955. However, knowing what a conservative policy is followed by every Financial Secretary in this Colony, I am sure he has every intention of keeping us on a safe and steady course. But expenditures are mounting. We cannot afford to have any more fires of the magnitude of that at Shek Kip Mei, which I believe cost the Colony nearly £1 million, and Mr Clarke must be worried about the heavy disbursements which the Colony has ahead in connection with already approved public works and the badly needed enlargement of Kai Tak Airport. Our medical and educational departments (including particularly the university) bring heavy recurrent expenditures which, as the Financial Secretary hinted last year, may have to be given a limit if we want to avoid increased taxation.

Two matters which directly affect Hong Kong's status as one of the important cities in the world are the airport and the resettlement of squatters or refugees. The need for an airport suitable for the landing of "Comets" and other large modern commer-

cial aircraft is indisputable and we hope that a final decision will soon be taken to proceed with a suitable scheme as quickly as possible. We must not forget that HM Government have offered us an interest-free loan of £3 million for this purpose.

As regards squatters, the Governor's views on the importance of this matter are well known. No one can question the fact that the Government have done exceedingly well in the way they have tackled the problem, and it was pleasing that Vice-President Nixon made special reference to the "far-sighted, humanitarian and generous" way the squatter situation had been faced in Hong Kong. Refugees and others such as those living in squalid and overcrowded tenements are also a vast problem. These classes are estimated to number at least 100,000 families and the Government aim at resettling these large numbers in low-cost flats in permanent multi-storied apartments. Some progress is being made, but only the fringe of the problem has so far been touched.

In a small way we are ourselves attempting to ease the housing problem by building forty small flats for the Chinese employed in our head office. This is a tentative experimental idea we shall have to watch carefully.

ANGLO-JAPANESE AGREEMENT

The Anglo-Japanese Payments Agreement has proved a controversial subject ever since its signature at the end of January. One important and somewhat obscure factor at the moment is to what extent Japanese cotton goods will be able to compete in price with Lancashire goods in the Colonial territories and their entrepôt markets. Hong Kong and Singapore's internal markets are not likely to be much affected. The entrepôt trade as a whole is another matter and it is possible that there will be Japanese competition with Hong Kong export products although Japanese cotton goods should not seriously compete with the Hong Kong industry. However, there may well be benefits to be gained if Hong Kong and Singapore are used as marketing centres for a great variety of Japanese goods. The number of registered factories of all kinds in Hong Kong continues to increase and interesting developments are taking place. There are signs that new investors are realising that in spite of occasional checks there is still scope for the employment of capital in light manufacturing projects. There is ample labour in Hong Kong and there has been practically no labour trouble throughout the past year.

JAPAN

Having just referred to the Anglo-Japanese Payments Agreement, it seems apt to turn next to a consideration of affairs in Japan during the past year. The Payments Agreement was warmly welcomed in Japan as a definite help towards checking the serious sterling trade imbalance of nearly £109 million in 1953 and towards assisting the very difficult trading situation with which the country is faced. But Japanese business men are aware that their country's main problem is still by no means solved. The Government Economic White Paper published last July and a further one issued in November faced the facts squarely when it was acknowledged that owing to the trade gap the Japanese economy could not maintain itself on its present basis without United States special procurement orders, which last year provided over US\$785 million. As a result strenuous efforts are now being made to keep the 1954-55 budget under rigid control and a movement for retrenchment is well under way. At first demands were such as to bring the budget up to the equivalent of £2,000 million, but latest reports

are that it is being debated at a level just under £1,000 million.

The need for strong action to cope with the inflationary situation is shown by statistical figures indicating gradual rises, for instance, in bank advances, the note issue, cost-of-living and price levels, as well as an increase in production figures. Moreover, the chief of the World Bank Survey Mission to Japan, on leaving Tokyo on December 19th, issued a statement which neatly hammered home the following points: That inflation was one of Japan's most serious problems and required immediate solution by resolute action; that official plans to maintain a balanced Budget and to correct the overloan situation deserved applause; that there was a great need for capital investment, but particularly for an increase in the volume of domestic savings; that an increase in the food supply was a basic problem and that support for agricultural development merited at least as much attention as industrial modernisation.

Japanese difficulties deserve serious consideration. Japan has a population of some 88 million people in a country restricted since the war to an area half as big as the United Kingdom with only 17 per cent of the land arable. It would be impolitic not to try and ease their problems in the way the extended payments agreement has done and from the British point of view it is surely wiser to expand than to contract sterling area trade.

INDONESIA

Indonesia is another country which is, I am afraid, also suffering from economic maladies but of rather a different kind. Her Government, like Japan's, is struggling to put the financial house in order, but her considerable adverse balance of trade has no compensating windfall. Moreover, Indonesia, being a new state, has far more serious internal problems and her people have not yet developed a strong sense of discipline, as is shown by the widespread disorders in the interior and the unsettled labour conditions. Then again Indonesia's economy is predominantly agricultural with important oil resources and mineral deposits. The country's potential wealth is immense, but to exploit this properly much administrative skill and experience is needed. These are well-known facts. Many of them were enlarged upon in a recent report by the President of the Java Bank who is now Governor of the newly formed Bank Indonesia, which replaced the former bank on July 1, 1953, as the Central Bank of the country. The Governor particularly drew attention to the dangers of the large deficit in the Budget which for 1953 was estimated to be rupees 1,800 million (£56 million). He called for economies and a recognition of the realities of the situation. By increasing the margin required from all importers from 40 per cent to 75 per cent, it was hoped to check inflation and cut down imports, but unfortunately the final deficit in the Budget account appears to have been higher than was anticipated and the adverse trade balance will also be serious. The Bank Governor recently stated that on February 3rd, the bank still held cover of gold and foreign exchange equivalent to 24 per cent of its demand liabilities—a somewhat small margin above the statutory minimum of 20 per cent—and that in the past six months the cover had fallen over 11 per cent. He urged corrective action by increasing production, by stricter import controls as well as by measures to prevent exchange losses through the export inducement schemes.

While the Indonesian Government are preoccupied with their serious financial problems it is hardly likely that the import trade from neighbouring countries will improve, but their desire to increase this trade

was shown in the preliminary discussions which the Singapore Director of Commerce and Industry recently held in Djakarta with senior Indonesian officials.

INDO-CHINA

Like Indonesia, Indo-China is another country containing great natural wealth, but suffering from internal troubles which in this case have been much to the fore in world discussions during the past year. Let us hope that the Geneva Conference will bring a solution of the deadlock which has already lasted some eight years. Indo-China is a vital point in the strategic situation in South East Asia and the United States Government have thrown in an immense amount of aid, not only in the form of war-like materials but also in connection with road building, waterways, airfields, port facilities and for technical training. Some of these things may outlast the present conflict, but at the same time 70 per cent of the revenue of the country is being earmarked for war expenditure to the detriment of its economy.

The sudden devaluation of the piastre by the French Government last May from 17 to 10 francs, caused much resentment in official circles of the three States, but this was perhaps counter-balanced in the following month by the offer of more or less complete autonomy within the French Union. The export trade naturally benefited by the lower rate of exchange and rubber and coal exports have increased. On the other hand there has been a serious fall in the general purchasing power of the people owing to the fact that wages have not increased proportionately to the prices of consumer goods. Yet there is little doubt that if political troubles subsided there would soon be a rapid trade recovery in this country.

THE PHILIPPINES

If we next move in an easterly direction we shall find ourselves once again in a more stable locality. The Philippines is a country which is dependent on agriculture for considerably more than half its gross national production and for some 80 per cent of its export earnings. It is therefore very satisfactory and hardly surprising that a man who knows the agricultural scene and whose reputation for probity is high should have been elected President of the Philippines Republic last year. President Magsaysay has, however, set himself an ambitious target in the very inspiring programme which he revealed in his address at the opening of Congress on January 25th. The programme is far too long to quote but its theme was to help and encourage farmers, to put into effect a co-ordinated plan of economic development, to straighten out the finances and to secure a Government of integrity and efficiency. All who are concerned with the progress of this fertile country will watch with interest and sympathy the steps taken by the President to carry out this great task. The election result has been called the greatest victory against Communism so far seen in Asia. If the President can accomplish his programme, or the major part of it, this bold assertion may prove to be literally true.

One of the first steps of the new Government was to introduce proposals covering a five-year programme for the rice industry with a view to ensuring reduced prices and adequate output to feed the nation. Already, in fact, a great deal has been done in this direction by the American Foreign Operations Administration and indeed rice supplies adequate for internal needs were produced in 1953.

During the past year the Philippine administration made representations to the

United States Government for the revision of the Bell Trade Act, which will otherwise come into force on July 4th next, and a special Executive Committee has been set up in Washington to examine certain detailed proposals submitted by the Philippine Government. An important one relates to the currency question, which the Philippines claim the right to control and administer, including also the determination of the rate of exchange. However, decisions as to this and the other proposals made to the United States Government seem unlikely to be reached in the immediate future.

As regards trade, the final figures are not available, but it seems likely that the adverse balance will be at least pesos 100 million (£18 million) less than in 1952, when it was around pesos 147 million (£26 million). Export figures are likely to be pesos 90 million (£16 million) higher, owing to an improvement in some of the leading exports, such as sugar, copra and timber. Sugar exports were only 35,000 tons short of the United States quota of 952,000 tons.

The National Budget for the fiscal year ending June 30, 1955, shows a very small surplus, which it is hoped will be attained by increased income as a result of strict supervision over tax collections. There is a general fund deficit of pesos 304 million (£54 million) which President Magsaysay hopes to liquidate by setting aside an annual amortisation.

MALAYA—GENERAL TEMPLER

We now move down the South China Sea to Malaya, which cannot look back on 1953 with much regret at its passing, largely because the lingering slump in rubber and tin prices gradually spread gloom through a large section of the country. I will refer to these particular problems later. However, the emergency situation certainly improved. The personality and inspiration of General Sir Gerald Templer has been felt throughout the whole territory and has brought definite progress in the operational field. It is not surprising that there should be widespread regret at General Templer's forthcoming departure on promotion to an even more important assignment. But it is reassuring to know that the Templer plan of campaign has been thoroughly tried out and has already shown excellent results. It only remains for his successors to press onward with determination, perseverance and energy to a successful conclusion of the campaign. This will surely come, but it will come quickly only if the peoples of Malaya give full-hearted co-operation.

In speaking of General Templer's campaign I do not refer to the field operations alone, where his success has been most pronounced, but also to the activities aimed at obtaining the support of the "hearts and minds" of the people, where progress is slower but is sure. Then there is the political arena in which the High Commissioner has had to face troublesome problems of a very different nature needing careful and statesmanlike handling.

The overriding problem has been that of attempting to fuse the various peoples of Malaya into a Malayan Nation and of ensuring that the framework of the future State is based on sound foundations and that its structure will be built on realistic and efficient lines. General Templer himself pointed out the importance of the various steps which must, he said, be taken to ensure that "self-government is not a substitute for good government." Citizenship, elections, civic and administrative responsibilities—these are stages each of which needs time for digestion: otherwise stability will be endangered and the interests of the new country will suffer in the way we can see others around us are suffering at the present time.

I need hardly stress how important that word "stability" is, from whatever angle you may consider it. These political problems mainly affect the Federation and will soon be the burden of Sir Donald MacGillivray who will have the support and good wishes of all who have at heart the future well-being of Malaya.

SINGAPORE

Singapore is, of course, directly concerned with the outcome of the political developments in the Federation, and the Colony can confidently rely on the Governor, Sir John Nicoll, to see that their interests are fully safeguarded. Two bodies have been exploring important matters relating to the future of the Colony. The one is a joint co-ordination committee set up under the chairmanship of Mr Malcolm MacDonald, who, we are glad to know, will be staying in his present post of Commissioner General for South East Asia at least until the end of this year. The other is a commission under Sir George Rendel which has been considering the question of Singapore's constitution and has just issued its report. We all realise that much depends on the outcome of these deliberations. Constitutional and other relations between the Federation and Singapore must come up for reconsideration in the near future, and greater co-ordination is undoubtedly desirable.

I must next refer to the financial condition of Singapore and the Federation. The Colony is fortunate in that the revised accounts for 1953 are expected to show a surplus of M.\$33 million (£3½ million). The budget for 1954 allows for a deficit of about the same amount but last year the Colony felt able to give £1 million to HM Government and this year it has loaned M.\$30 million or about £3½ million to the Federation. Moreover a special reserve fund of M.\$100 million has been set up and a development fund of M.\$50 million but there still remains about M.\$130 million in the general revenue balance of the Colony. The emergency has necessitated heavy expenditures by the Federation and it is only right that Singapore should bear part of the burden, but as the Governor pointed out when he announced the loan, the Colony has its own heavy commitments and in ordinary times every dollar will be needed to provide more schools, hospitals, houses and other services.

THE FEDERATION

The Government of the Federation of Malaya, on the other hand, are less fortunate, but they started 1953 with a good revenue surplus and they have reliable friends who can come to their help. Their deficit for 1953 is expected to be about M.\$146 million (£17 million) and for 1954 the estimated deficit is M.\$222 million (£26 million). On the other hand, their surplus on January 1, 1953, was M.\$332 million (£39 million) a part of which was, however, not readily realisable. They raised M.\$100 million by the Security Loan floated last year and HM Government have promised a contribution of £6 million as well as additional help if the financial situation should deteriorate in 1954. In addition to this they have received from Singapore the 25-year loan of M.\$30 million, without interest for the first 10 years, and the state of Brunei provided a loan of M.\$40 million, so as to ensure that the development programme was not interrupted.

The Financial Secretary, Mr Himsworth, in his budget speech, showed that the Federation could get through to the end of the present financial year without increased taxation. In fact he stated that the Government did not propose either now or in the immediate future to make any increase in the company rate of income tax because it would be inflationary in an under-

developed country, and would tend to frighten off investment capital which was what the country required more than anything else. Mr Himsworth also announced that in order to pay for important capital development projects it was intended to raise locally a loan of M.\$100 million (£11½ million) in 1954 as well as one of about £6 million on the London market. The Financial Secretary made no bones about the need for stringent economy which we agree is certainly a matter of the very greatest importance. He further said that the main plank of Government's financial policy was "to get rid of this deficit and to bring the budget back into balance."

TIN AND RUBBER

By the fall in the prices of tin and rubber during the year the Financial Secretary estimated that the Federation's revenue had been reduced by 20 per cent. We need not intervene in the controversy and argue as to the best way to deal with these two commodities in regard to which the specialists themselves hold such widely differing views. But from a banker's point of view, as indeed must be except that of the speculator, stability of prices is of the utmost importance. If the majority agree that stability can only be obtained by international agreements, then such agreements deserve the fullest support from the industries and governments alike. The Randall report to President Eisenhower has unfortunately cast cold water on commodity agreements. Yet there is strong sympathy and support, on the part of individual Americans of prominent and influential standing, for the countries so critically concerned with these problems. For instance, Vice-President Nixon, who, of course, could not commit his government, showed his understanding of the fact that Malaya's prosperity and its problem of dealing with Communism were both bound up with rubber and tin. He realised, too, that other countries were also involved in a very similar way.

The trade of Malaya in 1953 naturally suffered from the recession in rubber and tin prices; imports dropped 16 per cent, but exports fell 23 per cent, being M.\$880 million (£103 million) lower than in 1952. However, in volume, rubber and tin exports were fairly well maintained throughout the year, and it is interesting to note that the Singapore Harbour Board returns for 1953 show that the net registered tonnage of vessels berthed at the wharves was a record at over 10,700,000 tons.

The mission to Malaya sent by the International Bank for Reconstruction and Development arrived in Singapore in January and will make recommendations regarding future economic plans and developments. For this reason I will not refer to the important subject of the diversification of production whether agricultural, mineral or industrial. One of the subjects with which the mission will deal is no doubt that of rice in regard to which the attitude of the government in continuing to handle the trade is giving rise to both questioning and opposition in the Federation.

NORTH BORNEO AND BRUNEI

After Malaya it is natural to consider North Borneo, which has often been called a land of promise as it indeed is. But so it taken to find the labour needed to turn the state of Brunei into practical value. The able oil wells in its territory, and the revenue resulting from oil production will be able to finance an ambitious five-year plan of development, but many problems arise when revenue is four times higher than expenditure. The loan to the Federation of Malaya of M.\$40 million, which was provided last

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November was a timely gesture to help in the struggle against Communism.

RICE

I have referred to the doubts in Malaya about Government control of rice, but when we look at Thailand and Burma it seems likely that Government monopolies of the rice export trade have come to stay. Both countries are very dependent on their large production of rice for their well-being. In the case of the former 90 per cent of farm land is estimated to be given up to paddy and 60 per cent in the latter. As a result of several unforeseen occurrences during the past year a buyers' market developed, and both countries found themselves considerably overstocked and therefore anxious about the financial outcome. One reason for this situation was a good rice crop in India, which led to a decision not to enter the rice market until prices were lower. The Philippine Islands were also able to supply their own needs. Indonesia bought considerably less than in the past few years and Ceylon obtained considerable quantities from China. However, towards the end of the year Japan became short of rice owing to damage to her crops by floods, and she then made contracts with both Thailand and Burma which somewhat eased the situation, and recently within the last few weeks a contract between India and Burma has at length been concluded. Total exports in 1953 are believed to have been about 1,300,000 tons from Thailand—the lowest figure for some years—and about 1 million tons from Burma. It is expected that in 1954 Thailand will have a disposable surplus of about 1,800,000 tons of rice and Burma about the same figure. Rice production is, of course, subject to wide fluctuations owing to crops being dependent on weather conditions. Prices therefore vary greatly from season to season and the holding of large Government stocks may at one moment seem likely to cause a serious loss and at another to be a wise policy, but the consensus of opinion outside official circles urges that Governments should relax their control over the trade and take the present opportunity of more plentiful stocks to revert to prewar practice. This is not a simple problem and the facts need thoroughly ventilating before a decision is reached.

THAILAND

On the financial side the feature of the year for Thailand has been the drop in the free market rate of the tical from about ticals 45 to about ticals 58.50 to the pound. Exchange regulations and imports were tightened up and eventually in November full scale import controls were introduced; however, the adverse trade balance for 1953 is likely to be large. Sterling balances of the Bank of Thailand have fallen off during the year, but US dollar balances have increased. The note issue is well covered, but the considerable deficit in the public finances which continues from year to year gives rise to anxiety. An unusual type of loan has recently been authorised whereby the government has borrowed foreign exchange equivalent to ticals 1,200 million (£27 million at the official rate) from the Bank of Thailand against 10-year bonds at 3½ per cent. This is to be used for capital outlay. It is reported that requests have been made to the International Bank for a number of loans, but no new agreements have been concluded. Meantime, the United States Special Technical Economic Mission continues its activities in the country and the Army and Air Force are being modernised with American advice and help.

BURMA

The political situation in Burma has changed little in the past year. Internal security has improved in some areas, but in

others there is considerable guerilla activity not unlike the situation in Malaya, but in the case of Burma the Communist affiliation seems more uncertain. The activities of the so-called Kuomintang forces unfortunately pinned down Burmese troops and so prevented their employment in the task of establishing order elsewhere. The ill-feeling aroused against the United States by the latter's connection with the matter resulted in the Burmese Government rejecting further United States aid—a loss of some US \$13 million to Burma. The finances of the Government show that there was a small surplus in the year 1952-53 but the budget for 1953-54 provides for a deficit of kyats 380 million (£28½ million) to be met out of cash balances. Social welfare and economic development are again heavily emphasised and the budget deficit is regarded by the Finance Minister as an "investment for posterity and better standards of living." On November 3rd a settlement was reached of financial questions arising out of the Anglo-Burmese Treaty of 1947. HM Government in fact accepted £7,300,000 against a debt of £26,700,000 payable by Burma. This was "a magnificent gesture," as a Burmese newspaper put it.

On Burma's National Day the Prime Minister made an important speech on the subject of an "interim Economic Plan"—called "interim" because of the expressed intention ultimately to organise all trade and industry into a socialised economy operated by the consumers and workers.

On October 1st the tariff preferences granted under the Ottawa Agreement of 1932 and the Indo-Burma Trade Agreement of 1941 came to an end and a new tariff came into effect. The distinguishing features are high rates on luxuries and nominal rates on essentials. Heavy imports were made prior to the introduction of the new tariff and rice shipments fell off towards the end of the year; consequently, the foreign trade balance for 1953 seems likely to show a reduced surplus of exports as compared with 1952 when the surplus was about kyats 342 million (£26 million).

Burma has rich potentialities and grandiose plans. As their Minister of Finance has himself stated—their aims should be "ambitious but feasible."

INDIA

In regard to India, a few of the features of the year from our point of view are the following. First and foremost there is the deplorable friction with Pakistan which has in recent months become more intense as a result of the offer of United States aid in equipping Pakistan's military forces. Whether this additional dispute will delay the appointment of a Plebiscite Administrator for Kashmir remains to be seen. The problem is intensely involved. Secondly, there is the five-year plan which is undergoing some revision in order to speed up the tempo of expenditure. Already a new five-year plan is being discussed. However, an additional sum of Rs.1,750 million (£131 million) is to be allocated to the original plan which is only half-way through its course. Mr Nehru has said that the plan is to be revised because of the question of unemployment which is increasingly serious. Indeed, this is an ever-growing problem. The continued disturbances in Calcutta seem to emphasise this and it is stated that as the population of the country increases additional employment is required each year for two million adults. The Director General of the International Labour Office has recommended that urgent steps should be taken for the expansion of rural industries and the growing of supplementary crops. Food crops were excellent last year and are estimated to have increased 11.8 per cent above the previous year, but it will be a long time before India can grow

too much food. Prices of food and the cost of living index in Calcutta, after rising in the summer, began falling towards the latter part of 1953 and ended at about the same level as the beginning of the year. One unfavourable feature is the stagnation of private capital investment in industry during the past year. In this connection an interesting memorandum on foreign investment in India shows that foreign capital is not being encouraged for purely trading activities but that it is in the sphere of industrial development that India is proclaiming her need for foreign investment. As I stated in an earlier paragraph, it appears that joint ventures are likely in future to meet the requirements of the present situation in India rather than direct foreign investment. In fact, such a system was recommended in the Planning Commission's original report on the first five-year plan.

Discussions with Ceylon on the problem of the Tamils in that country have improved relations between the two countries and the proposed meeting in Ceylon of the Prime Ministers of a number of Asian countries appears to be a good move.

CEYLON

One of the main events in Ceylon during the past year was the financial crisis which came to a head in July and was followed by riots and arson. The dangers of the situation had become apparent by the end of 1952 when an austerity programme was introduced and the rice ration was reduced. But this programme proved inadequate. External assets continued to fall and the trade deficit continued to grow. In July drastic measures were introduced: the food subsidies were virtually abolished, direct taxes were increased and additional duties were levied on luxuries. At the same time the Central Bank rate was raised from 2½ per cent to 3 per cent. By the end of the year the adverse balance of trade had been considerably reduced as compared with 1952, but external assets had continued to fall in a way which must be causing anxiety to the Government. A change of Government took place in October, when Sir John Kotelawala replaced Mr Dudley Senenayake as Prime Minister and Sir Oliver Goonetilleke then became Minister of Finance. Sir Oliver has realised the need to raise foreign capital to assist Ceylon's development plan. Feelers have been put out in London, and it has been announced by the Minister that the International Bank is about to provide a loan of Rs. 104 million (£7½ million) for a hydro-electric scheme. But despite this I may say that Ceylonisation shows no signs of diminution, and trade operations with a number of countries are confined to Ceylonese nationals. However, an important and impressive speech which the Minister of Finance made at the opening of the ECAFE Conference at Kandy on January 26th last gave indications of a possible broadening of policy to attract foreign private investment.

The foregoing survey of events in the East does not claim to do more than pick out a few of the highlights of political and economic affairs which seem to deserve the special attention of our shareholders. Asia is undoubtedly on the move. All the way from Ceylon to Tokyo there is an intense desire for speedy economic progress, as is shown by the development plans which most Asian countries are now attempting to put into effect. Coupled with this, there is a widespread realisation that the raising of low standards of living must come as part and parcel of agricultural and industrial development. British merchants and bankers established in the East cannot insulate themselves from these events. They too have a part to play in the further development of Asia.

THE EASTERN BANK, LIMITED

CONTINUED EXPANSION

The forty-fourth annual general meeting of The Eastern Bank, Limited, will be held on March 31st in London.

The following is an extract from the statement of the chairman, Sir Evan Meredith Jenkins, GCIE, KCSI, for the year 1953:

The balance sheet total of £32,458,611 is higher by £1,129,566 than that of 1952. Current, deposit and other accounts increased by £1,030,105; on the other side, cash and bills receivable show a fall of £657,596, and investments and advances have increased by £1,954,133 and £122,389 respectively. The increase of £68,485 under premises (after the appropriation of £30,000 from profits) reflects the continued progress of our building programme.

While the balance sheet figures in general show that the gradual expansion of recent years has been continued, it is worth noting that the value of confirmed credits opened by the bank—an item which it is not our practice to include in the balance sheet—has declined substantially from the peak figures of 1950 and 1951. This change is doubtless due mainly to the fall in commodity prices, and to the exceptionally severe restrictions on imports in many countries.

PROFIT AND DIVIDEND

The published profit is £127,512, against £126,722 for 1952. The appropriations from profit are £50,000 to reserve, which now stands in the balance sheet at £1,300,000; £30,000 to premises; and £27,500 to the final dividend, which your directors propose be raised from 4s. 6d. to 5s. per share, making, with the interim dividend of 3s., 8s. per share for the year.

The results of 1953 may be regarded as satisfactory. The adjustments which began in 1952 when the prices of agricultural commodities fell, continued throughout the year, and it is clear that strict import licensing will be needed for some time yet in several of the countries where we are established. On a longer view also the pattern of Eastern trade is changing. In all markets British exporters of consumer goods are encountering progressively stronger competition from exporters in other countries, particularly Japan. In several Eastern countries the development plans now in progress require a wide range of capital goods, and the services of experts, and new suppliers from most of the highly industrialised countries of the world are now in the field. As these plans mature, local industry will gradually use larger quantities of locally produced raw materials, with some effect upon the volume and character both of exports and of imports. Further, the banking systems of most Eastern countries are growing rapidly with increasing competition between individual banks, both indigenous and foreign.

CHANGING CONDITIONS

Though the rising expenses of our business, due to the sustained high cost of living in the East, have caused us some concern, we see no reason why we should not be able to maintain and gradually to expand our operations. There are in the East political risks but these have to be taken by banks as by other business concerns.

Our new branch at Cochin was duly opened during the year. The project for a branch at Al Khobar in Saudi Arabia has made no further progress. A sub-office has been opened at Steamer Point, Aden.

HOOVER LIMITED

A MAGNIFICENT TRADING ACHIEVEMENT

ALL PREVIOUS RECORDS SURPASSED

RANGE OF PRODUCTS EXTENDED

EXPANSION FINANCED FROM OWN RESOURCES

SIR CHARLES COLSTON ON IMPORTANCE OF INCENTIVES

The annual general meeting of Hoover Limited will be held on April 2nd at Perivale, Greenford, Middlesex.

The following is the review by the chairman and managing director, Sir Charles Colston, CBE, MC, DCM, which has been circulated to stockholders covering the year ended December 31, 1953:

It is with much pride that I am able to announce that 1953 has been the record year in the history of the company. We have succeeded in surpassing the remarkable records established in 1951, and have gone far ahead of the results obtained in 1952. The consolidated profit for 1953 is £3,095,000. This compares with the consolidated profit of £3,014,000 in 1951, and £1,602,000 in 1952.

In my review last year I explained some of the reasons for the setback that we experienced in 1952. I pointed out that the sellers' market had gone. At home the Government's deflationary policy had reversed the previous inflationary tendencies and this had inevitably reduced sales. Abroad, trade recession after the Korean boom and more intense competition, allied to the abnormal difficulties caused by import restrictions and the shortage of sterling, severely affected our export markets.

During 1953 competition has become even more severe. Germany has made a striking economic recovery and is once again becoming a formidable competitor. The success of the Hoover electric washing machine all over the world has led to a host of imitations of our type of machine, and so we have had much more severe competition to meet in many countries. This has made necessary an intensification of the activities of our sales organisations, at somewhat greater cost. Another adverse factor has been the generally higher cost of the materials which we use compared with 1951, but there is now a falling tendency in the prices of these materials which should benefit us in the current year.

One of the principal reasons for the reduced results in 1952 was the sudden closing of the Australian market at the beginning of the year. We had developed this into our most important export market. The remarkable expansion of our Australian business had made it as large as our total business before the war. During 1953 Australian import restrictions were somewhat eased, but the position is still very unfavourable compared with 1951. We have, however, more than made good the reduction in the Australian market by increased sales elsewhere.

RECORD TURNOVER IN THE HISTORY OF THE COMPANY

To give an overall picture, our total turnover in 1953, at home and abroad, was almost 20 per cent greater than the previous record turnover achieved in 1951. The calculation of turnover has been based on effective sales, that is to say, goods sold and

despatched to our subsidiary companies have been included only insofar as they in turn have sold these goods. We owe much to our superb sales organisations in Britain and overseas which, under the powerful direction of Mr F. H. Bunn, our general sales manager, seconded by his very able and energetic deputy, Mr S. Roberts, have co-operated with all other departments to attain these record results.

That we have succeeded in beating the record of 1951 in a year when conditions on the whole were more difficult is a measure of our achievement. This success is due to the magnificent team spirit throughout the undertaking. In Hoover Limited we believe that difficulties are a spur to greater effort, difficulties are there to be overcome. If difficulties are attacked in the right way they may be a blessing in disguise.

During 1952 we initiated a thorough review of our entire organisation. Even in an efficient undertaking there is always room for improvement. We have tightened our organisation, we have improved methods, we have effected economies and increased efficiency at the same time, and generally we have reduced administrative costs. We have set up a special section under Mr H. G. Meads, the secretary of the company, to give unremitting attention to these problems.

The company organisation is in a healthier state than ever before, and we are ready to face any difficulties which may come our way. Industrialists must not expect easy times. The company's plans are based on the assumption, a wise one I think, that we can maintain and enhance our position only by a virile and progressive policy and greater efforts in every section of our world-wide undertaking.

EXPANSION OF WASHING MACHINE SALES

Perhaps the most striking feature of the year's operations has been the continued remarkable expansion in the sales of Hoover electric washing machines which we manufacture at our factories in Merthyr Tydfil, Cyfarthfa and Aberdare, in the South Wales Development Area. Our new Mark II washing machine has justified our most optimistic expectations. It was launched in the home market in March, 1953, and was most enthusiastically received. Its larger washing capacity, the bigger and better wringer, the self-emptying device and other improvements in construction and style, almost without any increase in overall size, immediately established wide public demand. For a considerable part of the year the sales of the new model were governed by our production capacity.

The success of the Mark II washing machine is a tribute to the engineering skill of Hoover Limited. It confirms once again that originality and brilliance in design allied to high efficiency in production provide the basis on which a virile sales organisation can build an enduring mass market.

The Mark I Hoover washing machine is £8 less (apart from purchase tax) than the

Mark II machine. The Mark I model has amply proved its robust qualities and has continued in good demand alongside the Mark II model.

Our total washing machine sales in the home market were practically double what they were in 1951, and about 50 per cent higher than in 1952. This constitutes a rapid and continuous expansion which is impressive.

CREATION OF A NEW INDUSTRY

We have in fact succeeded in creating a new industry. Until a few years ago the number of electric washing machines sold in Britain was quite small. To possess such a machine was the privilege of the few. But the washing machine saves the housewife so much laborious work and, not unimportant, so much expense that every household should have one. It is a necessity, not a luxury.

I believe that Hoover Limited in creating and marketing an electric washing machine that does not take up too much room and does not cost too much money, while doing a superlatively good job of washing, has rendered a valuable public service.

In so doing the company has greatly strengthened and expanded its business. Our washing machine business is now substantially larger than our electric cleaner business on which Hoover fame was built. This is a case where a readiness to risk the shareholders' capital in a project which I was always convinced was absolutely sound, allied to skill and enterprise, has been rewarded. And this is as it should be.

Results over many years in the United States encourage me to think that we should be able to maintain a large annual volume of business in Hoover electric washing machines. In the United States the great majority of households, estimated at about 80 per cent, already possess a washing machine, and sales therefore are largely dependent on replacement demand. The washing machine has often to do so much heavy work that the rate of replacement is higher than in the case of some other electrical appliances. The annual retail value of sales of washing machines in the United States is extremely large. It was \$780 million in 1953. This was nearly three times as large as the volume of business in electric cleaners which amounted last year to \$267 million.

In Britain it is estimated that only about 15 per cent of our homes own a washing machine. It will probably take a good many years before the percentage of households equipped with this essential labour saving appliance approaches anywhere near the American percentage. If, say, 60 per cent of British homes eventually own a washing machine (and I think the percentage ought to be higher), the company's share of the annual replacement demand alone should substantially exceed our present annual sales. The outlook is similarly encouraging in many

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export markets. I feel, therefore, that our washing machine business is on a firm and lasting basis. I am confident that we shall be able to keep well ahead of our competitors.

During 1953 we sold about one and a half times as many electric washing machines in Britain as all other manufacturers put together. This dominating position has been achieved, not because we lack competitors. There are scores of them, and many of these manufacturers began producing washing machines years before we did. We have established our position on the merits and the price of our products. The Hoover electric washing machine has fully lived up to the Hoover reputation for quality, and indeed has done much to increase that reputation.

EXPORT MARKETS FOR WASHING MACHINES

As I have already mentioned, competition abroad has become much more severe. During the year we introduced the Mark II washing machine in our export markets with good results. We expanded our exports of washing machines compared with 1952, and exceeded the export figures of 1951 in spite of the severe import restrictions in our important Australian market to which I referred earlier. In the export field as in the home market our ascendancy is shown by the fact that we exported during the year twice as many washing machines as all other British manufacturers taken together.

DOMINATING POSITION IN ELECTRIC CLEANER MARKETS

In the earlier part of 1953 our sales of electric cleaners (like our other products) were adversely affected by the uncertainty as to whether there would be purchase tax reductions in the budget. We therefore welcome the removal of uncertainty this year by the Chancellor of the Exchequer's announcement well in advance of the budget that there would be no changes in purchase tax. This departure from precedent is an indication that the government are ready to consider very carefully the reasonable representations of industry.

Notwithstanding the loss of sales in the earlier months of 1953 owing to purchase tax uncertainty, results for the year as a whole were good. Our total turnover in electric cleaners and polishers (including service) was substantially ahead of 1952, and what is more interesting, we succeeded in passing the total of 1951.

The fame of the Hoover electric cleaners has been firmly established for many years. Our position in the industry was fully maintained during 1953. Both at home and overseas we sold substantially more electric cleaners than the total of all other British manufacturers. That we succeeded in doing so in spite of heavy competition is due to the merits of a superior product, marketed by a forceful sales organisation.

We have not rested on our laurels. Last November we brought out a new electric cylinder cleaner which has a number of attractive new features. It has been well received in the home market. We have gradually introduced it in our export markets with good results. This new model should provide useful additional business during 1954.

HOOVER ELECTRIC POLISHER

As I have pointed out on other occasions, the market for the electric polisher is not nearly so wide as that for electric cleaners or washing machines. The polisher is complementary to the cleaner. In hot countries where there are fewer carpets, the demand for cleaners is less and the demand for

polishers is greater. The Hoover electric polisher is an extremely attractive and efficient machine and worthwhile business in this product has been developed. During 1953 the number of electric polishers which we exported was nearly one third of our total exports of all our cleaner models.

THE NEW HOOVER ELECTRIC STEAM AND DRY IRON

In November, 1953, we introduced the Hoover electric steam and dry iron. This is an electric iron of a revolutionary type which has not previously been used in Britain. Two types of iron are combined in one, it is very efficient and yet lighter than the usual type of iron. Demand is brisk and sales have increased in step with our expanding manufacture of this new product.

As the electric iron was introduced almost at the end of 1953 it had little effect on the sales figures for the year. Indeed, owing to the usual teething troubles before launching a new product, there was a loss on the iron of about £60,000 during 1953. In the present year it is already making a useful addition to the company's income.

EXTENSION OF HOOVER RANGE OF PRODUCTS

The introduction of the Hoover electric iron is a continuation of the policy which the company has adopted since the war of steadily expanding its range of products.

Until the war we relied entirely on our famous electric cleaner. But it seemed wise to me that we should use our accumulated skill and experience in the technique of design, production and sales in a wider field. I am glad to say that this policy was warmly approved and has been consistently supported by my colleagues on the board. It is a policy which has proved triumphantly successful. Our business is seven times as large as it was before the war, and five times as large as it was in 1946.

This rapid expansion is based on the most solid of foundations—the quality of our products and the incomparable value that we offer, supported by a virile and united organisation in Britain and many countries overseas.

Before we launch a new product we must be convinced that in design and quality it will maintain and if possible enhance the Hoover reputation. We have steadily strengthened our Research and Development Department, which, under Mr W. C. Bell, is doing impressive work. Years of research and experiment go into each of our products. A vast host of customers all over the world have faith in us, and we keep faith with them.

In pursuance of this policy of planned expansion we began the manufacture in 1946 of the fractional horse-power motor. In 1948 we introduced the Hoover electric washing machine. In 1951 we introduced the Hoover electric polisher. In April, 1953, we launched the Mark II washing machine, which has proved a world winner. In November, 1953, we introduced the Hoover electric steam and dry iron. Throughout these years much intensive research work was done on our electric cleaners and we brought out a number of new models which have strengthened our lead in the industry. Development work is being done on a number of other appliances.

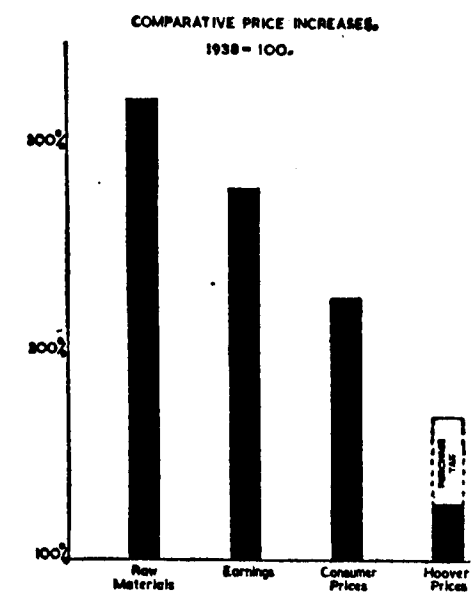
HOOVER PRICES COMPARATIVELY CHEAPER THAN PREWAR

This expansion has given us the advantages of highly efficient and economical mass production. Our expanding turnover has enabled us to build up a progressive Research and Development Department at moderate cost having regard to the volume of our pro-

duction. Our splendid sales-service organisation has had an increasing range of products to handle, with considerable resulting economies. The cumulative effect has been that in relation to the national price level our prices are far lower than before the war.

From 1938 to 1953 the price level in Britain rose by more than 120 per cent. Earnings rose by about 180 per cent. The prices of raw materials rose by more than 220 per cent. But if I take, so far as I can, comparable Hoover electric cleaners, the average price to the public (apart from purchase tax) has risen by only about 28 per cent, quite a remarkable achievement. Including purchase tax, the price has risen by about 70 per cent. I think it is fair to add that the 1953 Hoover electric cleaners are superior in many ways to their predecessors in 1938.

The Hoover electric cleaner (even if we add purchase tax) costs, relative to earnings, only about 60 per cent of what it did before the war. So we have been able to bring Hoover products within the range of a vastly greater number of households, thereby opening up a much wider market.



During these years we have also developed a large-scale export business. We have established or expanded subsidiary companies in France, Belgium, Holland, Germany, Switzerland, Italy, South Africa, Australia and New Zealand. In a number of countries we have made arrangements for assembly or manufacture. We are doing business altogether in about 90 countries.

EXPANSION FINANCED FROM COMPANY'S OWN RESOURCES

This immense expansion has been financed almost entirely out of the company's own resources as a result of the very conservative policy over the years of ploughing back profits. Since 1937, when the company was converted into a public company, we have issued only £175,000 in shares, which provided us with just under a million pounds, and that is all. Nor during 35 years have we borrowed from the banks, except for two quite short periods, including an occasion where there was a sharp increase in purchase tax and we obtained an overdraft in order to finance the payment of this tax before we collected it from our customers.

We have been able to finance our large expansion in spite of increasing tax burdens which have deprived us of resources which would have rendered possible a still greater extension of our range of products. It is gratifying to be able to record that the liquid position of the company, which has been

consistently strong, is stronger than ever before, and the cash resources at the end of the year of Hoover Limited (apart from its subsidiaries) amounted to £2,847,000.

FRACTIONAL HORSEPOWER MOTORS

We manufacture fractional horsepower motors at our very efficient factory at Cambuslang in the Scottish development area. As I have previously mentioned, FHP Motors are a highly competitive product. During the early part of 1953 sales fell. There was however a considerable improvement in the latter half of the year. Certain of our export markets were disappointing, but there was a substantial increase in our exports of motors to the United States where a useful market is being developed. Total home and export sales of FHP Motors and other industrial products were higher than in 1952, but were still about 10 per cent short of the total in 1951.

HOOVER PRODUCTION

Efficiency in production depends primarily on four elements—management, men, machines and materials. The most skilled operators cannot produce efficiently without adequate plant and materials. It is the function of management to ensure that the most modern and efficient plant and the right materials at the right prices are available; and on the basis of a large and assured flow of orders to devise the most efficient and economical production techniques. I believe that our plant and our production methods which are constantly being improved compare well with those of leading engineering companies in Britain and North America. Our production departments are under the skilled direction of Mr B. H. Dyson, our General Works Manager, ably assisted by Mr W. J. Dimmock, Works Manager of our Perivale group of factories which includes our High Wycombe factory; Mr T. E. Groutage, General Manager of our FHP Motor factory at Cambuslang in Scotland; and Mr A. R. Northover, General Manager of our group of washing machine factories in South Wales.

HOOVER SERVICE

With the rapid increase in the number of Hoover machines in British homes—these machines now run into millions—the activities of the Hoover Service Department, under Mr A. G. Colston, have been correspondingly expanded. The great majority of our customers throughout the country make regular use, year in year out, of the Hoover Service, and thereby Hoover machines in the home are maintained at a high level of efficiency. This has helped to earn for our products their enviable reputation for reliability.

SALES-SERVICE REPRESENTATIVES

Our Sales-Service representatives are the personal link between the company and our customers and make a tremendous contribution to the goodwill which we enjoy. They provide the most effective channel through which our sales organisation can bring to the notice of the housewife any new models of existing products and any new products which we introduce from time to time. Much of their success is due to the great care which we take in training them for their duties.

I cannot speak too highly of the loyal and enthusiastic support which we receive from our Sales-Service representatives. We have done our best to encourage them by paying them a good salary and giving them an incentive on their results. Very important, those who show that they have the right qualities are given attractive opportunities

for promotion. Most of the senior executives in our powerful sales organisation have risen from the ranks of our Sales-Service representatives.

The fairly general experience in industry, both in the United States and Britain, is that the average length of service of outdoor representatives is rather short. In many cases it is reckoned in months. We in Hoover Limited have endeavoured to build up a contented outdoor staff. The average length of service of Hoover representatives is about five years, but of course many of them serve much longer. They are a fine body of men and we are very proud of them.

It is interesting to compare the turnover of labour in industry generally. In British industry an employee stays in one job, on the average, for little more than two years.

The development of high morale in a large body of outdoor representatives, distributed all over the country, is one of the most difficult aspects of management. The measure of success we have achieved is due to our constant endeavours to encourage our staff and understand their problems, and the stress we lay throughout the organisation on the importance of team spirit.

Team spirit does not grow on trees. It is the reward of years of unremitting effort. Creation of the team spirit is one of the chief responsibilities of top management.

EUROPEAN MARKETS

I now turn to a review of our markets abroad, and I begin with the Continent of Europe. In France we are doing well and have improved both sales and profits. Our factory at St. Ouen, near Paris, completely manufactures our electric cleaner. The Mark I washing machine is manufactured on our behalf in France and similar arrangements have been made for the Mark II washing machine. The latter will be marketed shortly and should help to expand sales. Our business in France is now about as large as the company's whole business before the war. It has been placed under the experienced direction of Mr C. H. Crowlie, who has been with us for many years.

Belgian sales have been well maintained and have been considerably helped by the introduction of the Mark II washing machine. In Holland, business has been very difficult. Our market in Germany is developing in spite of strong local competition; it is believed there are useful prospects here of increased business. Conditions in Switzerland have become more difficult, but there has been an improved trend in recent months. Sales in Italy have increased, following the introduction of the Mark II washing machine. Exports to other European countries have been satisfactorily maintained. Results in Finland have been particularly good; we are now sending parts there for local assembly.

MANUFACTURING IN AUSTRALIA

Results in Australia were substantially better than in 1952 but still considerably behind 1951. As will have been seen, the fall in profits there was more than made good elsewhere.

The most important development has been the formation of a new subsidiary company in Australia, Hoover Industry Pty. Ltd., wholly owned by Hoover Limited, for the purpose of manufacturing our products. In the first instance we shall manufacture the electric washing machine. We have been led to this course by a number of factors. The severe import restrictions imposed at the beginning of 1952, although they have been somewhat relaxed, still seriously limit the volume of goods we can send to Australia.

Secondly, the cost of packing and transport is disproportionately high owing to the long distance and the fact that freight is charged on cubic content. Thirdly, import duties and heavy insurance charges are an obstacle in the way of maximum sales.

We have opened a factory in Sydney and it has now commenced the assembly of our electric washing machines. Gradually it will undertake production of the entire machine. Manufacturing in Australia will ensure savings in cost and should help us to expand sales. Another advantage is that we have an import quota for labour-saving appliances generally. Manufacturing the washing machine in Australia will enable us to concentrate our quota on other products and so increase the export of these products from Britain.

The capital cost of equipping the factory at Sydney will be offset by the reduction in our investment in goods in the "pipe line"—a considerable number of washing machines are normally in transit to Australia at any one time. The factory should be in full swing by the end of the year.

I should like to express warm appreciation to Mr Neil O'Sullivan, the Minister for Trade and Customs, and the other Australian authorities who have been so helpful. They have welcomed our proposal to manufacture in Australia and have endeavoured to lighten our task where possible.

In view of the importance of this manufacturing project we arranged for one of our directors, Mr P. J. L. Attwood, to spend a good deal of time in Australia so as to provide the necessary drive and impetus. He has done a magnificent job and we warmly congratulate him.

SOUTH AFRICA AND NEW ZEALAND

Business in South Africa has been well maintained at a somewhat higher level than in 1951. Electric cleaners and polishers and the Mark I washing machine have all made a satisfactory contribution to our sales. The Mark II washing machine was introduced towards the end of 1953 and should stimulate sales during the present year.

In former years we have been almost entirely excluded from the New Zealand market by rigid import restrictions. I am glad to say that import licences are now no longer necessary. We considerably increased our export of FHP motors, and we have made a new beginning with our other products. Trade is still hampered by shortage of UK sterling but there are now substantial possibilities in this market. To utilise these to the full we have formed a new subsidiary company, Hoover Sales and Service Limited, in New Zealand.

DOLLAR MARKETS

The dollar markets are well known to be difficult and it is therefore gratifying to be able to record progress. Our exports to the United States during 1953 were more than three times as much as in 1951 and more than four times as much as in 1952. There is scope for developing worthwhile markets in the United States for various types of FHP motors.

Results in Canada, a dynamic country and potentially a most important market, have continued to be disappointing. Exports to Canada during 1953 were higher than in 1952 but fell somewhat short of 1951 when the total was unimpressive.

ASIA

We have continued our strenuous efforts to develop markets in other parts of the world. We have sent our products to most of the countries of the Middle East. In the Far East, Japan is the only country where

we have made useful progress. Our chief export to Japan was the Mark I washing machine, and we also exported an increased number of electric cleaners and FHP motors.

I can illustrate in striking fashion the disproportion between population and the size of our markets in some countries. India, Pakistan and Indonesia together have a population estimated at about 500 million. The total of our washing machine sales to these countries last year was 405, which works out at one machine for each one and a quarter million of the population. At this rate we could sell about seven washing machines a year in London.

CENTRAL AND SOUTH AMERICA

In a number of Central American countries we have made some progress. We are endeavouring to develop the Mexican market.

In South America we are seriously hampered by import restrictions and shortage of sterling. In order to develop these potentially important markets it has become necessary to arrange local assembly or manufacture. In the Argentine the Mark I electric washing machine is now being manufactured. We are sending washing machine parts to Chile and Uruguay for local assembly. Business with these two countries and Peru has been maintained on a useful scale.

With a view to exploiting the potential of the South American markets to the full we have made provisional arrangements for one of our directors, Mr S. T. Matthews, who knows this territory well, to go there to be on the spot in order to stimulate developments. Trade ambassadors have no easy task these days and it is only by maximum efforts that we can maintain and strengthen our position in markets abroad.

FINANCIAL RESULTS

Our consolidated profit for 1953, as I have already mentioned, was £3,095,000. This profit was arrived at after deducting £716,000 for depreciation which is based on the present high cost of replacement. The corresponding amount deducted for depreciation the previous year was £571,000. The liability for taxation is £1,774,000. This includes an amount of £224,000 in respect of excess profits levy which terminated at December 31st last. Other things being equal, we shall have this additional amount available in respect of 1954.

From the balance of £1,321,000, the sum of £39,000 has to be deducted in respect of interests of outside shareholders. The profits retained by our subsidiaries amount to £239,000 thereby strengthening their position. This leaves a balance of profit to be dealt with in the accounts of Hoover Limited, of £1,043,000.

It is necessary to add the sum of £753,000, the balance brought forward from last year. This brings us to a total of £1,796,000.

We have transferred £200,000 to the general reserve of Hoover Limited, the same as for 1952, as against £125,000 in respect of our previous record year of 1951. This increases the general reserve of Hoover Limited to £1,125,000, which is very satisfactory.

We have decided to transfer £100,000 to reserve for the employees' free superannuation scheme as against nil last year. I have pointed out on more than one occasion that in this matter we treat each year on its merits.

DIVIDENDS

After making these transfers and deducting the dividend (less tax) on the preference stock and the interim dividend (less tax) on the

ordinary stock, we are left with a balance of £1,375,000. The board, after very full consideration, have decided to recommend a final dividend of 1s. 9d., less tax, on each ordinary stock unit, making a total for the year of 2s. 3d., less tax. On the basis of this distribution the dividend payable under the articles of association on the "A" ordinary shares amounts to 3s. 8.7132d., less tax, per share.

After providing for these dividends there is left to be carried forward an amount of £851,000, an increase of £98,000 over the amount brought forward from last year. The liquid position of the company is very strong, stronger than ever before. At December 31st last the cash resources of Hoover Limited (apart from its subsidiaries) amounted to £2,847,000 which exceeds the total issued capital of the company.

I stated two years ago in my annual review that "the board of directors of the company take the view that subject to the need for keeping the company strong and preserving its power to expand, it is our duty and should be our policy to do the best we can for our stockholders." Our reserves and cash balances show a position of great financial strength, and as already pointed out we have financed our expansion out of our own resources.

The total ordinary dividend for 1951 was 1s. 9d., less tax; for 1952, 1s. 3d., less tax; and the total dividend recommended in respect of 1953 as mentioned above amounts to 2s. 3d., less tax. The board are indeed gratified that it is possible to make good the reduction which the ordinary stockholders suffered last year (for the increase amounts to no more than that) and to justify the faith which they have consistently shown in the company. As to the future I repeat what I have said in previous years—it is the policy of the company to treat each year on the merits of the case and to do the best we can for our stockholders.

THE IMPORTANCE OF INCENTIVES

The dividend on the "A" ordinary shares was sharply cut last year to just under 11d., less tax, as compared with 3s. 3d., less tax, in respect of the year before. This particularly affected our senior executives, about 100 of them, who have holdings of these shares. There is a negative side as well as a positive side to any sound scheme of incentives. Our senior executives understand very clearly that they will suffer if the company does badly and will benefit if the company prospers. This provides powerful protection for the ordinary stockholders.

For various reasons beyond the company's control we suffered a setback in 1952. In spite of continuing difficulties we fought back and more than recovered lost ground. The incentive provided by the "A" ordinary shares has been the spearhead in this major achievement. It is therefore very just that the senior executives should be rewarded by the increase this year in the dividend on the "A" ordinary shares, and the ordinary stockholders will welcome the fact.

We have no doubt that the powerful incentive to our senior executives provided by the "A" ordinary shares has been one of the principal factors in the expansion of the company in recent years and the dominating position it has now achieved.

INCENTIVES TO STAFF AND WORKPEOPLE

In Hoover Limited we believe that incentive is the most potent weapon in the armoury of good management. We practise what we believe. Bonuses for the year amounted to £754,000, apart from piece work incentives and sales commissions. This exceeds the total of the net dividend on all classes of shares which amounts to £645,000.

We place great stress on the importance of incentives in all branches of our undertaking. Apart from sales commissions and piece work incentives, the remuneration of our factory, clerical and various other employees, including supervision, is linked to production efficiency in our overall efficiency bonus scheme. This has worked very effectively. We have instituted a variety of other incentives which all help to build up good morale throughout the organisation. Apart from good basic remuneration, these schemes ensure that the income of every person in the organisation, from the most junior to the most senior, is linked in some way to the efficiency of his department or that of the company as a whole.

EMPLOYEES' SUPERANNUATION SCHEMES

Including the amount of £100,000 transferred in respect of 1953, the total we have now provided for our free superannuation scheme in Great Britain amounts to £610,000. This is supplementary to the Hoover staff pension and group life assurance scheme, which was started in 1935. The Hoover Limited free superannuation scheme launched in 1947 covers all employees who do not come within the staff scheme. The pensions payable under the free superannuation scheme were increased by 10 per cent at the beginning of 1951.

INCENTIVES TO VETERANS IN PRODUCTION

Some years ago we decided that, in view of the shortage of manpower, it was desirable that men who are fit and efficient should go on working after they reach the age of 65. As an incentive to them to do so, the board instituted a system whereby employees for every year that they work over the age of 65 receive approximately 20 per cent additional pension up to a maximum increase of 100 per cent. The company's pension schemes are flexible. If necessary, a man can be retired at 60. But if he is fit we encourage him to go on as long as possible. Some men are better at 75 than others at 55.

Mr Harold Watkinson, Parliamentary Secretary to the Ministry of Labour and chairman of the Government Committee on the employment of older people, recently coined the phrase "VIPs—Veterans in Production" for those over 65 who remain at work. He commended firms who had adopted the policy of encouraging employees to continue work after 65 if fit, and I am glad that Hoover Limited has been one of the forerunners of this movement.

The very existence of the country depends on maximum production, and to retire men at 65 who are fit and willing to work is harmful both to the individual and to the national interest.

THE CHARLES COLSTON TRUST

My colleagues have asked me to say a few words about the Charles Colston Trust which I have not previously mentioned in my annual reviews.

I founded and endowed the Trust in 1948 for the purpose of assisting Hoover employees and ex-employees. It is administered by three trustees, Sir Harold Webbe, Mr Eric Davies and my daughter, Mrs Joan Kidde. The Trust has performed valuable service by helping employees and past employees, and the widows and children of past employees. I am happy that this work has been done unobtrusively and in a warm human spirit.

When creating the Trust I made it a condition that it should be wound up by 1968. It was my desire that a substantial portion of its resources should be used to benefit some of the men and women, or the families of men and women, who had worked with me

so faithfully and loyally for so many years. The capital value of the Trust has now reached over £400,000.

PROSPECTS FOR 1954

Sales for January and February, 1954, have been excellent, a very substantial improvement over the corresponding periods in the record years of 1951 and 1953. We shall have the benefit of a full year's sales of the new products which we introduced in 1953—the Mark II washing machine, the new cylinder electric cleaner, and the steam and dry iron. We expect also an expansion of our Australian business as a result of our commencing to manufacture the Mark II washing machine there. Assuming that there are no major upheavals in the world, we can look forward with a fair measure of confidence to a satisfactory improvement over the results of 1953.

RETIREMENT FROM THE POSITION OF MANAGING DIRECTOR

After the forthcoming annual general meeting, when I shall have completed 35 years in the service of the company, it is my intention to retire from the Board and the position of managing director. My friend and colleague, Mr J. A. Wykes, who has been deputy managing director for the last eight years, has been appointed managing director to succeed me with effect from April 5th next. With Mr Wykes at the helm we are confident that the leadership of the company will be in strong and safe hands.

I look back with gratitude on a long period of creative activity. For the last 27 years it has been my privilege to be the chief executive of the company. I have seen it grow from three or four men to the position which it holds today where we employ more than 12,000 people. I have enjoyed a rare measure of affection and loyalty, and I have been heartened in all difficulties by the spirit of unity in the company which has been the source of much of our strength.

If Hoover Limited by reason of its qualities of originality and vision, its skill and energy, has helped in some small measure to increase the fame of British industry in the markets of the world, and if I have been able to make some contribution to what has been achieved, I am content.

I should like to express my gratitude to the great fellowship of men and women who have worked with me, from Jimmy Wykes to the youngest apprentice.

I hope my colleagues on the board know how much their support and friendship have meant to me. I am especially grateful to my friends, Eric Davies and Harold Webbe, for their wise counsel based on a mature experience of men and affairs.

I desire to add a word of tribute to Mr H. W. Hoover, the chairman of the Hoover Company of America. I have worked with "H. W." on terms of growing intimacy for more than 30 years. His exceptional business abilities have been surpassed only by his great human qualities—his capacity for generous friendship, his steadfastness and faithfulness; above all, the wisdom and statesmanship so essential to a man who stands at the head of a great organisation. He is retiring from the board of Hoover Limited at the forthcoming annual general meeting. He has all our good wishes.

THE FUTURE OF BRITISH INDUSTRY

Hoover Limited, by reason of the united efforts of those who work in this great undertaking, has made a contribution to strengthening and increasing the prestige of British industry in the world. Other companies have done the same and more. That we have

succeeded in doing so in a hard, competitive era is evidence that the innate qualities of those engaged in industry, if wisely directed and used to the full, can enable us to hold a place in the industrial leadership of the world.

It is difficult to argue with geography. Britain does not possess the immense spaces or the vast natural resources of the United States or Soviet Russia. Their populations are far greater than ours, and as the years go by this disparity in population will inevitably grow. We cannot compete with these industrial giants in size, but in quality, if we do our utmost, we can hold our own.

Britain may be proud of the genius of her scientists and the skill of her technicians and craftsmen. We led the industry of the world for a century. We have a great heritage of experience and achievement.

We are blessed with a tolerant and mature civilisation. Our people, underneath their surface differences, are united as no other. If each of us gives of his best in a united effort, British industry may with confidence face the unpredictable future.

THE MONOTYPE CORPORATION

CURRENT TRADING IMPROVEMENT

The forty-sixth annual general meeting of The Monotype Corporation, Limited, was held on March 9th in London.

Brigadier Sir George Harvie-Watt, Bart, TD, ADC, QC (chairman), who presided, said:

The year now reviewed has been one of exceptional trading difficulty and we, in common with many other engineering and machine-making concerns, suffered a sharp recession in trading, especially during the first six months. This had an adverse effect on the company's output and its profits, compared with the year immediately preceding it. This possibility was not unexpected, being foreshadowed in last year's report. Since the end of the financial year, however, there has been an encouraging increase in our order book.

The results of our business show that the postwar period, 1948 to 1952, reflected the abnormal conditions obtaining throughout the world. There was then a shortage of printing machinery, but that has now been overtaken. Although the unpredictable checks on international trading still remain with us, I am glad to say that we maintain a good proportion of export business.

BALANCE SHEET FEATURES

Turning now to the balance sheet, you will notice a contraction in our net current assets of some £57,000. Fixed assets are up by £67,354 at £669,083. The main cause of this change is the cost of the new Matrix Building. In the balance sheet of the parent company the amounts due from subsidiary companies show an increase, which is brought about mainly by greater activity in Germany and France.

For some time we have been using the service provided by the Export Credits Guarantee Department of the Board of Trade. Our holding of tax reserve certificates has decreased from £527,000 to £210,325, mainly because we have paid out £242,000 during the year in respect of taxation assessed on the higher profits of the earlier years. Current liabilities, including provision for the payment of the final dividend, are down from £604,856 to £474,906.

You will notice that we have reallocated our reserves by consolidating them into one

figure. This is now shown in the accounts as a general reserve of £787,437. This regrouping, we feel, helps to simplify the presentation of the position.

DIVIDEND FULLY COVERED

This year we have placed nothing to reserve. The substantial allocations we made during the postwar years have enabled us, out of our own resources, to finance the large extensions and developments we have made. We feel justified, therefore, in recommending the payment of a final dividend of 6½ per cent, less tax, making 9 per cent for the year. The dividend repeats that of last year and is fully covered by results.

TRADING ACTIVITIES

Our new Matrix Building came into production during the late summer of 1953. It is proving of great value in the quicker and wider supply of Matrices. During the year the cutting of exotic type faces was extended to include Burmese. Equipment especially designed and made by the company and encouraged by the active assistance of the authorities in Burma was shipped to Rangoon and is operating to general satisfaction. The work was accomplished under the auspices of the American programme of technical assistance for under-developed countries.

Details of the "Monophoto" Type Composing Machine were released to the trade and technical press in December last. One of these machines has been with our friends in America, the Lanston Monotype Machine Company of Philadelphia, for some time, and has aroused much interest in the trade. Further machines of this type are now in process of manufacture. We continue to develop other items of interest to the printing trade.

Some months ago we put ourselves in a position to take on Government defence work of a type fitted to our machinery and a measure of this is now in process of manufacture.

Our general manager, Mr Silcock, maintains his contacts with customers all over the world. During the past twelve months he has visited the Lanston Monotype Machine Company in America as well as our subsidiary company and agencies throughout Africa.

NEW LONDON PREMISES

Our organisation in London has had to work under conditions of considerable difficulty since the destruction by enemy action of our freehold premises in Fetter Lane on the night of May 10, 1941. I am happy to say that formalities have now been completed and a licence obtained for rebuilding. Work has already commenced. On completion next year we shall be able to operate in London not only with greater effect but from the same location in the heart of the printing trade as that with which the company has for so many years been associated.

Sir Richard Snedden, CBE, was co-opted to the board in the course of the year and, in accordance with the articles of association, now comes up for re-election.

THE OUTLOOK

It would be unwise to attempt any forecast of the future. On present facts, however, I can say that for the first few months of the year ending September, 1954, our order book shows some improvement and our outlook is encouraging. We are active in all our territories and have no doubt of our ability to obtain a good portion of the business that may become available.

The report and accounts were adopted.

THE CHARTERED BANK OF INDIA, AUSTRALIA & CHINA

A CENTURY OF SERVICE TO TRADE AND INDUSTRY

MR V. A. GRANTHAM'S STATEMENT

The one-hundredth ordinary general meeting of The Chartered Bank of India, Australia & China will be held in London on March 31st.

The following is an abridgment of the statement by the chairman, Mr V. A. Grantham, circulated with the report and accounts for the year 1953:

The year 1953 was doubly auspicious for the bank. By the happiest of coincidences the centenary of Queen Victoria's granting to the bank a Royal Charter of Incorporation was celebrated in the coronation year of her great-granddaughter, Her Gracious Majesty Queen Elizabeth II. During the month of June British Commonwealth communities in the east held festivities in celebration of Her Majesty's coronation and many of the bank's buildings were beflagged by day and illuminated by night. Later in the year our branch managers invited friends of the bank to join them in commemorating the one-hundredth anniversary of the foundation of the bank.

These functions evoked many public tributes to the services rendered by the bank to trade and industry. We all have been deeply moved by the warmth of felicitations extended to the bank, on the occasion of its centenary, by a very large number of banking and commercial institutions throughout the world. Charter day, December 29, 1953, was commemorated in London by a service of thanksgiving held in St. Helen's Church, Bishopsgate, attended by the court of directors, the head office executives and a large company of the Staff.

SATISFACTORY RESULTS

The summoning of the one-hundredth annual general meeting of the stockholders might be regarded as affording an opportunity to speculate on the future of British banking in the east, but the temptation to do so is one which I must resist. In all the statements I have made to the stockholders as chairman, it has been emphasised that the Chartered Bank, established as it is throughout southern and south-eastern Asia and the Far East, has given many hostages to fortune and this is no less true at the present time.

Two years ago I explained how policy and organisation have been adapted to swiftly changing political conditions in the east, and I described the steps we have taken to preserve, so far as it lay in our power, the goodwill of the bank in situations which had become revolutionary in character. The success which has attended our endeavours so far is reflected in the accounts which accompany this statement and I must point out that the satisfactory results achieved have been largely due to the ability of the general managers in London, the skill displayed by the branch managers in the east and the devotion to duty shown by the bank's staffs everywhere.

THE BANK'S BALANCE SHEET

Compared with last year, there is a reduction of approximately £21 million in the total of the bank's balance sheet. The smaller figure this year is mainly due to the continued fall which has taken place during the year in the world prices of the basic eastern commodities.

On the left-hand, or liabilities, side of the

balance sheet, current and other accounts, fixed deposits and bills payable show decreases of £12,683,484, £2,367,130 and £446,244 respectively.

The substantial reduction of £6,750,644 in the figure for acceptances is largely due to the drop in commodity prices already mentioned; it also reflects increased competition from other banks in Japan, chiefly American, for this class of business.

On the right-hand or assets side, cash in hand, at call and at bankers remains at practically the same figure as last year.

Government and other securities (apart from those lodged against our note issue), bills of exchange (including United Kingdom, Colonial and foreign Treasury bills) and advances to customers and other accounts are down by £7,512,730, £3,875,312 and £1,999,074 respectively.

The reduction in Government and other securities reflects part of the drop in current and other accounts shown on the other side of the balance sheet.

The further contraction in advances follows the tendency shown by bank lending generally and is an additional indication of the deflationary trend which has persisted during the year.

The ratio of cash and call money to our "demand and time" liabilities, excluding notes in circulation against which security has been lodged, is 18.98 per cent.

POSITION MORE LIQUID

It will thus be seen that although the total of the balance sheet is less than it was a year ago there has been no diminution of liquidity; in fact, the position is more liquid.

Considerable expenditure continues to be incurred in meeting the cost of extensions and renovations to bank premises and in the provision of houses for our officers in the eastern branches; consequently, after allowing for £200,000 written off this year, the net figure for bank premises and furniture shows an increase of £115,793 over that of last year.

I now turn to the bank's reserve fund. Last year we augmented this fund by a transfer of £1 million from contingencies, subsequently capitalising £500,000 of that amount. This year we have transferred a further £500,000 from contingencies to reserve fund, thereby replacing the amount capitalised during the year and bringing our published reserve fund up to £5 million.

You will have understood from my more recent annual statements that we have been at pains, so far as is possible, to restore a reasonable relationship between our issued capital and reserve fund and the total of our balance sheet.

Considered as a whole I submit that our accounts display a well-balanced distribution of the bank's resources.

PROFIT AND LOSS ACCOUNT

The net profits for the year amount to £693,798, a decrease from those of last year of £4,984. I have referred in recent years to the general deterioration in working conditions in almost every Eastern country in which the bank operates and have stated that it would be foolhardy not to be prepared for some reduction in profits. These condi-

tions have persisted during 1953 and there has also been a further rise in working costs.

In the circumstances, therefore, I trust that the results achieved will be regarded as very satisfactory.

We paid an interim dividend in October last of 7 per cent, less income tax, absorbing £134,750, and it is proposed that, out of the balance now available, a final dividend of 7 per cent, less income tax, should be paid, costing £134,750 making the total distribution for 1953 14 per cent. It is probably unnecessary to remind stockholders that these dividends are paid upon an increased capital.

We propose to repeat the allocations made in each of the past three years to the pension fund and widows' and orphans' fund of £125,000 and £20,000, respectively. We have again applied £200,000 towards writing down bank premises and furniture account. It is proposed to transfer £75,000 to contingencies account and to carry forward to next year the slightly increased balance of £403,513. I trust the stockholders will approve of all our proposals.

BETTER ECONOMIC OUTLOOK

I felt bound last year to preface my review of the various countries in which the bank operates, in somewhat pessimistic vein, and you will have observed that in dealing with the profit and loss account I have again referred to a deterioration in working conditions in almost every Eastern country, which has been accompanied by a further rise in working costs.

Let me make it plain therefore that notwithstanding these factors I think we can regard the future with rather more hope than we did when I last addressed you.

In certain countries the economic outlook is undoubtedly better. In others there is a more settled political outlook. Some countries have still a very difficult road to travel but they may have passed through the worst of the storm. It is the position of Japan that causes me more concern than that of any other country for it is well to recognise that her well-being is vital to South East Asia as a whole.

Speaking very generally I think we may all have to work harder for less profit but I believe that the possibilities of making profits, even if smaller profits, are more assured than they were. We must always be prepared for the natural emergence of nationalism but on the whole those countries in which we work are realistic in their outlook and we can be grateful for the friendly relationship that exists between us and their governments.

INDIA

Last year I emphasised the importance to India's future of the Five Year Development Plan, first drawn up in 1951, and finally endorsed by the Indian Government in December, 1952. The country's most immediate economic problem is the necessity for an expanding production of foodstuffs to meet the needs of an ever-increasing population, and with this in view a substantial proportion of the investment proposed under the Five Year Plan is being devoted to agricultural development by such means as irrigation and improved methods of husbandry.

The Five Year Plan envisages a considerable expansion in the private sector of the Indian economy and the problem of financing this projected development has recently been the subject of investigation by a government committee. Save only for the statutory reserves which we are required by the Reserve Bank of India to maintain, we already fully utilise our local resources in financing India's foreign trade and in providing finance for jute and cotton mills, tea estates and other export industries. The whole of our business is based on liquidity and therefore we are not in a position to provide long-term finance. I am sure that it is essential to the stability of the Indian economy that commercial banks should continue to function on strictly orthodox lines.

AN IMPORTANT STAGE

During the course of the past year the Reserve Bank has widened the facilities available to the scheduled banks to discount their usance bills. This marks an important stage in the development of the Indian bill market and enables banks more easily to obtain funds from the Reserve Bank at need. The most urgent task in the banking sphere is to promote an increase in deposits by encouraging the population to entrust their savings to the banks rather than keeping their money idle at home. In Great Britain people are accustomed to make payments by means of cheques and in consequence total bank deposits are four times larger than the aggregate note circulation; in India, on the other hand, the use of banks and cheques is not widespread and total bank deposits are less than the currency in circulation.

After an unpromising period at the beginning of 1953, Indian trade and industry recovered the lost ground in the second half of the year. Following two good harvests and with adequate exchange reserves in hand economic prospects seem reasonably favourable and it is to be hoped that substantial progress will be possible in implementing the Five Year Plan on which India's future is so vitally dependent.

PAKISTAN

The past year has been one of extreme difficulty for Pakistan and the country has passed through a severe economic crisis. A year ago I drew attention to the fall in the international price levels of cotton and jute, Pakistan's export staples, which by causing a reduction in the country's export income compelled the government to curtail imports by cancelling the open general licence. It was particularly unfortunate that this setback coincided with a disastrous fall in food production, which forced the authorities to import considerable quantities of wheat in order to avert famine.

This imposed a severe strain on Pakistan's reserves of foreign exchange, but the situation was transformed by gifts of wheat from the United States in particular and also from the Commonwealth. The American gift had the effect not only of solving the immediate shortage of food, but also of presenting Pakistan with a substantial development fund inasmuch as the proceeds of the sale of the wheat in Pakistan are being placed to a special counterpart fund for use in connection with development schemes. Additional financial aid has also been received from abroad in the shape of loans from the United States and a credit for £10 million from Great Britain. The sterling credit, which was announced last July, is intended to finance the purchase in Great Britain of capital goods which will assist in solving Pakistan's food problem.

DEFERRED PAYMENT FOR IMPORTS

During the year suppliers of capital goods both in Great Britain and Japan offered to

ship machinery to Pakistan on a deferred payment basis. In most cases payment was to be spread over a period of five years and the Pakistan authorities published regulations outlining the procedure under which importers might take advantage of these offers. To obtain the appropriate forward exchange, however, it is first necessary for importers to deposit with the commercial banks the full rupee value of the goods to be imported, and so far few transactions of this nature have been recorded.

It is clear that until such time as substantial holdings of foreign currencies are accumulated there is little scope for any relaxation of import restrictions, but the measures taken by the present government have gone a long way towards restoring the country's economy and it is satisfactory that following the previous year's substantial deficit on its balance of payments, Pakistan accumulated a surplus in 1953.

NEW YORK

Our New York office is an indispensable part of the international organisation maintained by the bank. It continues to develop and consolidate our many and long standing connections in both the United States and Canada, and plays an important part in facilitating the business of our branches in Europe and the East.

Last year I emphasised the importance of the United States as a market for the products of the eastern territories in which the bank is established, and the international interest aroused by comparatively slight fluctuations in the volume of commercial activity in that country is a measure of the preponderant influence of its economy in the modern world. This influence has been demonstrated by the widespread publicity given to the recently published report of the Randall Commission on the foreign economic policy of the United States. Here it is sufficient to say that the report contains many recommendations whose adoption would assist the development of international trade, a matter of prime concern to this bank, but we must remember that the Commission's suggestions, however admirable, will not necessarily be accepted by the United States Government or put into effect.

During 1953, American economic activity reached record levels, and the United States Government appears to be proceeding on the assumption that no serious setback need be apprehended in 1954. I hope that this expectation will be fulfilled. The prosperity of the eastern territories in which the bank operates, no less than that of Western Europe, depends very largely upon the continued expansion of the American economy.

CONVERTIBILITY OF STERLING

In my annual statements I have frequently referred to the question of convertibility of sterling, and while I have been insistent upon the need for Great Britain, as banker to the sterling area, to have such convertibility I have advocated caution in any approach to the problem.

Today we are under greater pressure than ever before, both internally and from abroad, to see that convertibility is speedily reached, and it is therefore only right that we should take stock.

In the first place we must bear in mind that those countries in Western Europe that are nearest to fulfilling the conditions necessary for a return to full convertibility have problems entirely different from our own. Some of these nations neither have the internal liability of a heavy national debt nor external responsibilities in the sterling area. We, on the other hand, have heavy

internal liabilities and heavy external responsibilities, and it is these external responsibilities in particular that must make us think very carefully before taking the next step. If we had no such responsibilities we could afford to take greater risks, knowing full well that as failure would end in inflation of the currency in this country, the penalty for failure would be borne by ourselves. But as bankers to the sterling area we cannot risk the credit of our friends who bank with us, and we certainly dare not gamble on the possibility of inflation in this country being acceptable to other countries within the sterling area that are faced with conditions quite different from our own. So, though the truth may be unpalatable, we must realise that unless our own position is assured, we cannot afford to take risks that will involve others, and for our own position to be assured we must have a substantial surplus on our balance of payments and must be able to put into the common fund as much as we take out of it.

NEED FOR FREE EXCHANGES

It goes without saying that we all require a steady growth of world trade and world investment, and that we shall not fully get this until we have a proper system of free and stable exchanges, first and foremost among which must be a stable and convertible sterling, and it is all to the good that we have seen in this country some reduction in taxation and a considerable step towards freedom from controls, both of which factors must help to encourage that private enterprise and those private savings, without which we cannot hope to restore our position in the world. If we in this country could feel more sure that our resources, which we have so patiently built up, would not again be dissipated, we might feel that we were well on the road to convertibility.

In any event, we must have the full co-operation of the USA in any steps that we take, and while the report of the Randall Commission shows that our friends in America are fully alive to our needs, it also shows that we are not likely to get a quick remedy for our trouble from that quarter. Nor, as I said last year, do I feel that it would be easy to apply convertibility to so-called current sterling only.

HARD WORK ESSENTIAL

While our first problem must be to ensure the stability of the purchasing power of the £ at home so that there may be an end to the constant demands for higher wages that can only lead to our exports becoming uncompetitive, it must be clear that a policy embracing full employment and retention of all the benefits of a welfare state under all circumstances, cannot be compatible with complete convertibility and a fixed rate of exchange for the £ unless production within this country increases. In other words, however desirable these benefits may be, this country cannot have them unless it is prepared to work hard enough to pay for them.

As we are so dependent upon our friends in the Commonwealth and as a fixed rate of exchange is essential if we are to keep faith with them and retain the faith of the world in sterling as a world currency, we must operate in this country with this always in mind. I believe that our first steps must be to encourage private enterprise, ability and inventiveness by removing controls and reducing taxation. If this is done we may hope both for a better standard of living and a surplus in our balance of payments, and shall be able more confidently to proceed to the next step towards full convertibility. This next step may well be a determined effort to provide greater freedom of exchange within the sterling area.

THE MERCANTILE BANK OF INDIA

SATISFACTORY LEVEL OF TRADING OPERATIONS

CONSIDERABLE IMPROVEMENT IN WORLD AFFAIRS

SIR KENNETH W. MEALING'S REVIEW OF AN EVENTFUL YEAR

The sixty-first annual general meeting of the Mercantile Bank of India, Limited, will be held on March 30th in London.

The following is an extract from the statement by the chairman, Sir Kenneth W. Mealing:

The balance sheet total shows a reduction from the previous year, due to a decrease in special and temporary deposits, and this reduction is reflected in our holding of Government securities at nearly £7 million lower than last year. Despite difficulties due to drastic import and export restrictions imposed in some of the areas where the Bank operates and to lower commodity prices, the level of the Bank's trading activities remained unaltered, with bills receivable slightly higher and loans and advances showing a small decrease. At £194,687 the net profit is slightly lower than for the previous year, and your directors recommend a final dividend of 7 per cent. If this recommendation is approved, the dividend for the year will be 14 per cent, the same as last year, and I trust you will agree that the results of the year's working are satisfactory.

INTERNATIONAL AFFAIRS

The year 1953 has proved memorable not only in the international field but particularly to the United Kingdom. The cessation of hostilities (I regret I can put it no higher) in Korea; the improvement in the world food situation; the build up of the forces of NATO resulting in diminishing fears of a third world war; all these provide hope of better times ahead. In this island the happy and glittering pageant of the Coronation; the further improvement in the stability of sterling, and of the gold and dollar reserves of the sterling area; the further freeing of the people from rationing, and of trade and industry from restrictions; a return to a policy of incentives by a small but welcome degree of tax relief and a reduction in the food subsidies, these events leave happy memories of 1953 and, I trust, give us renewed hope and determination to meet the problems which lie ahead.

The acute world shortages resulting from the war and the consequent "sellers' market" no longer exist. Two great industrial countries, Germany and Japan, are competing increasingly in world markets and a bracing disinflationary wind is beginning to blow which only hard work and efficiency can temper. On the other hand, the world population is rising and with it commodity consumption should also rise; but the resultant trade will go to those nations producing most efficiently and cheaply. The world continues to be divided by the Iron Curtain, but the Western world's increasing freedom from wartime shortages and restrictions is showing results which must create increasing envy in those countries suffering in the cruel grip of despotic enslavement. The constant flow of refugees from Eastern Europe and the periodical liquidation of top party members in Iron Curtain countries bear evidence of this.

The enormous industrial potential of the United States has been largely employed in preparations for the armed defence of herself and the free world; but the cessation of hos-

tilities in Korea and the greater preparedness of NATO, together with less urgent need for economic help to other countries, has resulted in a business readjustment in recent months in the United States which, if developed, could have serious repercussions on other countries. However, President Eisenhower's Republican Government have made it clear that they have the resources and the intention of seeing that this recession shall not be allowed to develop into a slump, and it is to be hoped that the transition from an inflationary "boom" to stability of production and consumption can take place without incurring the rigours of a sharp trade depression. Perhaps the greatest single cause for anxiety and unrest since the war has been the shortage and rising prices of foodstuffs, particularly in South East Asia with its increasing populations. It is indeed satisfactory to be able to report considerable improvement in the outlook for food crops throughout the world, including South East Asia.

IMPORTANCE OF FOOD PRODUCTION

India's import of just over 2 million tons of foodgrains in 1953, compared with 3.9 million tons in 1952 and 4.7 million tons in 1951, coupled with a particularly good monsoon assuring bumper crops of all kinds in the immediate future, should ease the food situation and greatly reduce the need for importation of foodgrains into India during the coming year.

It is greatly to be hoped that this improvement may be reflected beneficially in the cost of living index, which for November, 1953, stood at 361, compared with 347 in November, 1952, and 333 in November, 1951 (1939 = 100), and thus prove an effective check on the inflationary trend. The Government of India, under the leadership of Pandit Nehru, are fully alive to the importance of food production and have concentrated on irrigation and hydro-electric projects, some of which have been completed, some are nearing completion and a number of others are in hand. In view of India's growing population and the fact that in some years the monsoon fails with serious results to food supplies, such schemes are clearly of vital importance.

FIVE YEAR PLAN

Another anxious factor in the Indian scene is the increase of unemployment, to which the growth of population inevitably contributes. The Five Year Plan now under way is designed, by the creation of hydro-electric power, new industries, better transport facilities, improvement and extensions in agriculture, not only to make India less dependent on imports from abroad, but to provide employment and raise the standard of living of the people. The inevitable time lag before this Plan can come to fruition and the rising unemployment in the interim have provided opportunities for opposition (particularly Communist) criticism of the Government and the Congress Party, but there is no doubt that any fair and unbiased assessor would give great credit to the Government for the vast undertakings it has projected and is doing its best to carry through for the benefit of the country.

One of the government's problems is the provision of finance, firstly to balance the budget and secondly for the plan. This has resulted in high taxation, both direct and indirect. High direct taxation, both personal and corporate, may be anti-inflationary, but it inevitably removes a great deal of surplus income which would otherwise become available as investment and risk capital. Thus the financing of the Five Year Plan is undoubtedly causing the government some concern. On the one hand, revenue from duties on imports and exports is declining and on the other hand the attainment of the target of investment for the private sector under the Plan seems unlikely fully to succeed. Risk capital is shy of high taxation and the passing of the Estate Duty Act in 1953 has not improved the climate either for foreign or Indian investment.

In general the year 1953 has seen a steady turnover of business, albeit on a lower level than in previous years. Cotton textile mills have been moderately active throughout the year and there has been a welcome increase in demand for Calcutta jute products by overseas buyers. The tea industry started the year in the throes of an almost unprecedented slump with prices well below cost of production, and finished the year with prices yielding substantial profits to set off the heavy losses which many companies suffered in 1952. To what extent tea companies will be able to replenish their working capital to a figure commensurate with their crop and intercrop expenditure remains to be seen, but in many cases this is of great importance if they are to be in a position to weather any future slump should one occur as severe as or of longer duration than, the last one.

In the first half of the year Indo-Pakistan relations appeared to be improving. In March a 3-year trade agreement was reached providing for the annual supply of 1.8 to 2.5 million bales of Pakistan jute to India and 80,000 to 85,000 tons of Indian coal to Pakistan, reductions in licence fees, export duties and surcharges on these commodities were mutually agreed.

In August a conference was held between the Prime Ministers of India and Pakistan in New Delhi on the vexed question of Kashmir, at which it was agreed that a Plebiscite Administrator should be appointed by the end of April, 1954. Later in the year relations deteriorated sharply on the issue of American military aid to Pakistan and it remains to be seen whether the Kashmir problem is any nearer solution; what is certain, however, is that the high military expenditure in both countries is unlikely to be materially reduced nor any lasting improvement in the relations between the two countries come about until the problem of Kashmir is resolved.

The principal event of the year in Pakistan was the change in the government last March. The Governor-General appointed Mr Mohammed Ali to be Prime Minister and he and his Finance Minister were faced with an exceedingly difficult task, for the financial position of the country was grave and serious food shortages, if not famine, in some parts of the country were imminent. The free gift of one million tons of wheat from the USA arrived just in time, for it not only relieved the immediate risk of famine but

averted a major outlay of foreign exchange for the purchase of cereals which would have increased the gravity of the financial crisis. The new government took drastic measures to curtail the imports of all but the minimum quantities of vital necessities which has turned an adverse trade balance (from June, 1951, to end of 1952 of Rs. 94 crores) to a surplus of Rs. 29.4 crores in 1953. This welcome improvement has, however, resulted in an inflationary trend caused by the increase in price of commodities in short supply as a result of the import restrictions, whilst this rising price-trend has spread to indigenous commodities, resulting in a general rise in the cost of living. Clearly the only solution in the long term must be an increase in Pakistan's income from exports—not easy to achieve in the face of lower world prices—and a great improvement in food production. In March, 1951, NTR Cotton was quoted at Rs. 148, in March, 1952, Rs. 91 and by March, 1953, Rs. 65, whilst the present price is quoted at Rs. 74½. In order to maintain prices for raw jute, the acreage under cultivation in East Bengal has been reduced from 1.87 million acres to 0.79 million acres for an estimated crop of 5½ million bales.

INDUSTRIAL DEVELOPMENT

Industrial development in Pakistan is proceeding. By the end of 1954 six jute mills will be operating and three more mills are to be added in 1955 and when all nine mills are in operation they are expected to produce 225,000 tons of jute goods yearly. This will complete the first phase of development of the jute manufacturing industry in Pakistan. Self sufficiency in cement production is expected to be attained by 1955, as there will be seven factories producing more than a million tons of cement in that year. A new paper mill to produce 30,000 tons of paper a year commenced production in October, 1953. Several new textile mills are projected with the intention of making Pakistan self sufficient in the cheaper lines of cotton textiles within the next few years.

Considerable progress has been made in the Rs. 11 crore development scheme for Chittagong Port, which is now expected to be completed by the end of 1955. Eighteen ships can now berth compared with six in 1947 and the average "turn round" has been reduced to about ten days.

It is proposed to remove the Chalna anchorage some 15 miles downstream to Mangla and to provide five mooring buoys. It is believed that some 1,800,000 bales of jute have been exported through Chalna in 1953, but it seems clear that the construction of a proper port to serve the hinterland of East Bengal through Khulna is likely to be a long term project.

In general it may be said that Pakistan has retreated from acute financial crisis and is slowly and steadily moving in the right direction. Progress has been made in framing the new constitution which in due course will result in new elections. There are to be elections in East Pakistan early in 1954 on the basis of adult franchise with an electorate of some 20 million. This will be the first election since Pakistan came into existence and may provide an indication of the future political trend of the country.

The heavy burden of military expenditure rendered the proposal of American military aid attractive to Pakistan, as the biggest drain on her limited foreign exchange earnings is the cost of imported armaments. Settlement of the Kashmir problem would undoubtedly bring welcome financial relief to Pakistan, and it would also open the door to friendship and mutual trade with India.

The statement then reviews in detail the position and prospects in the other areas in which the bank has interests.

CABLE & WIRELESS (HOLDING) OPPORTUNITIES FOR SMALL INVESTORS

The twenty-fifth annual general meeting of Cable & Wireless (Holding) Limited was held on March 5th in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the Governor), who presided, reminded stockholders that some seven years ago the Telegraph part of the business was compulsorily acquired and they were left only with the other assets which they possessed and the amount of compensation then received.

Sir Edward continued: In spite of objections which had been raised in certain quarters to the continuation of the company as an investment trust company, and, after payment had been made to those in opposition on what were generally considered to be generous terms, those stockholders who remained with us and who showed their confidence have, I think, reaped a satisfactory reward by way of appreciation in the value of their holdings (94 in 1950 to 163/168 at the end of last month) and from the increased dividends which had been recommended (1947 4 per cent, rising to 9 per cent in 1953). In addition it is now proposed to give a free bonus issue of one ordinary share for each £10 of stock held.

TRUST COMPANIES IMPORTANT ROLE

The general policy of your directors is to blend a satisfactory present income with investments with a long-term potential, always having in mind that it is desirable to take an active part in the development of the Dominions, Colonies and this country's overseas territories, but we do not, of course, exclude development in foreign countries. It is our firm belief that investment trust companies such as your own, not only play an important part in the financial structure of the nation but, and this is more important, they provide a means of investing the savings of those who are only able to invest in small amounts. A good investment trust company gives the security essential to such small savers by the spread of its investments. We have in our portfolio a total of nearly 1,000 different investments which have the widest range not only in this country but overseas. Today already more than 10,000 stockholders, including a large percentage of women, are joint owners of our company, and more than 6,000 of them hold less than £200 stock each.

APPEAL TO SMALL INVESTORS

The more small savings can be encouraged the stronger will be the bulwark against disturbing influences. Too frequently such influences result only from lack of knowledge of, and therefore interest in, the part which capital in partnership with labour and management plays in creating new businesses—and employment. An indirect stake in the many enterprises which your company, through its investments, fosters and assists would, we feel, encourage a greater sense of responsibility. To this end, we are making it easier for small investors to buy shares in our company by arranging for the Stock Exchange to quote the company's ordinary stock on the basis of a £1 unit instead of, as hitherto, £100 stock, and this basis will come into force on Monday next, March 8th. We hope that the knowledge of this change will become widespread so that through your company many of limited means may become investors.

The report was adopted and the proposed bonus issue was approved.

THE CONSOLIDATED MINES SELECTION COMPANY

PROGRESS OF OFS INTERESTS

The following are extracts from the statement by the chairman, Mr A. C. Wilson, circulated with the annual report and accounts for 1953, which show a consolidated profit of £258,729 (1952, £253,843) before taxation, £95,031 (1952, £103,896):

Since the end of the war this company has, for its size, played quite an important role in the enormous development programme undertaken by the Anglo American Corporation of South Africa, Limited, group. Our shareholding in Anglo American has for very many years been our most important single investment, and, consequently, it has been the policy of your board to do all in its power to assist in bringing the group's enterprises to successful fruition.

Now that the new mines, particularly those in the Orange Free State, are producing or nearing the production stage, and are beginning to be recognised as an important factor, not only in the future economy of South Africa, but of the whole sterling area, stockholders can look back upon their contribution to these great developments with justifiable pride.

Even now some further time must elapse before rewards in the form of regular dividends are reaped. However, it can, I think, be said that the major problem of finding capital for these new mines has been successfully solved, and already profits are beginning to flow in on a rising scale.

FINANCE

Although our overall balance of "current assets" over "current liabilities" amounts to £200,000 at the year-end, we had drawn on our bank facilities to the extent of £156,000. Bearing in mind that during a period of great expansion we have not raised any additional permanent finance, I do not think that this position is unsatisfactory, but your board is giving consideration to the matter of fresh permanent capital. No major financing is contemplated, but it may be decided to make a small offer to stockholders to render our position rather more comfortable.

For once in a way the poor share markets experienced in 1953 have proved a double blessing to this company—you will see that our liability to excess profits levy is only £4,600. This figure might well have been considerably more because any profits in excess of those actually earned during the year under review would have attracted tax at a penal rate.

However, share prices in 1953 were not such as to encourage your board to be sellers. As a result we decided to hold on for better prices, thereby reducing our tax liability and at the same time reaping the benefit of the sharp all round appreciation which has occurred since the end of last year.

It is, I think, reasonable to expect that our income from our investment in the Far West Rand and Klerksdorp areas will show a gradual improvement and that we shall, before long, start to receive dividends from our Orange Free State interests. Against this one must set the possibility of some recession in commodities which might adversely affect the profits of copper and diamond mining.

However, the operating companies in these fields have been distributing considerably less than their total earnings and to this extent the repercussions of any setback should be cushioned. Generally, I think the spread of our investments gives us reason to face the future with confidence.

BANK OF LONDON & SOUTH AMERICA LIMITED

PROBLEM OF FINANCE FOR EXPORTS

SIR FRANCIS M. G. GLYN'S VIEWS

The ninety-second annual general meeting of the Bank of London & South America Limited will be held on March 30th in London.

The following are extracts from the statement by the chairman, Sir Francis M. G. Glyn, KCMG, circulated with the report and accounts for the year ended December 31, 1953:

Economic conditions in Latin America as a whole during 1953 present a picture of moderate prosperity. Remunerative prices and sustained demand have characterised the international markets for most of the Continent's primary products. Argentina had larger grain harvests and an abundant wool clip; rising coffee prices have benefited Brazil, Colombia and the other coffee-producing countries; cotton, cocoa, sugar, rice and other crops produced in the more tropical areas have been in general satisfactory; petroleum output continues to develop. The producers of minerals, particularly copper, may indeed have met with some difficulties in the course of the year, but it must be admitted frankly that these difficulties are much more those of high production costs than of low world market prices.

Despite conditions that, seen from this distance, are not unpromising though perhaps difficult, and in spite of increases in the United Kingdom's imports from the principal republics in 1953 there has nevertheless been a further decrease of the United Kingdom's exports to Latin America.

The principal causes of this decline are to be found among the year's events in Argentina and Brazil, two countries which together normally account for about half the United Kingdom's trade with Latin America. Although our imports in 1953 from these two countries were almost double the value recorded in 1952, Argentina and Brazil have both restricted their imports, and in consequence our exports to the two republics in 1953 were less than half their 1952 value.

In conjunction with these restrictions our trading position has also been affected by the vigorous activities of our European competitors, principally Western Germany, whose re-establishment in Latin American markets has been felt even by United States traders.

CREDIT FACILITIES

During the past year the question of finance for exports has assumed increasing prominence until it now seems to be of primary importance. In view of the emphasis at present being directed to the necessity of developing the resources of the Commonwealth, the question naturally arises as to whether the United Kingdom can and should take an active part in assisting the economic development of the Latin-American countries. The provision of credit facilities must play a considerable part, all the more so as the main bulk of the imports required there will be capital or semi-capital goods.

Machinery must be found for the provision of financial assistance for periods of, say, two to seven years to credit-worthy importing countries from the normal credit market. This surely is within the capacity of the London market if a quick and simple method of arranging it is devised. How much credit should be provided for the Latin-American continent is of course a different matter, but one thing is certain: that without credit facilities the normal flow of British capital

goods exports to that area will gradually dry up and its place will be taken by those countries—primarily the USA and Western Germany—who are in a position to provide the necessary credit and capital for further development. This is not a happy picture, and maybe it is correct that all our available resources should be directed to the Commonwealth, but it is as well to realise the position. Certainly, until some of the countries in Latin America take the necessary steps to control the inflation within their economies and regulate the situation of their balances of external payments, caution is surely required.

CONCLUSION

The dangers of attempting to reach any general conclusion about an area so vast as Latin America are well known; the widely differing characteristics of these countries, be they racial or climatic, economic or political, make it impossible to do more than summarise some impressions left by recent events and present conditions in the individual republics.

It will not be surprising if the British merchant or trader with long-standing connections in this region will now look to the future with some sense of misgiving; he must have long since realised that the halcyon days of his pre-eminence in this field are gone, and he would be a bold man who would suggest the likelihood of their return in the foreseeable future. Quite apart from the severe competition from other countries, he is faced in almost every country, and particularly in the older republics, with a rising sense of nationalism that expresses itself in a desire for economic self-sufficiency.

The expression of national feeling is nothing new in twentieth-century democracy, and indeed must be considered as almost inevitable so long as the countries concerned are willing to pay the corresponding price in their pursuit of an ideal which is in strange contrast with the political sense of internationalism which seems to be spreading throughout the Free World. But it is all the more disappointing to those of us in this country who are trying to release international trade and finance from the hampering restrictions made necessary by war, to meet at every turn a determination to confine trade to a bilateral national basis conditioned only by the immediate and often purely ephemeral circumstances of a country's economic situation.

POSITION OF INVESTORS AND EXPORTERS

The same factors will also have induced in the prospective investor of long-term capital a sense of caution as regards the future. While he will have observed with satisfaction that Latin American countries, almost without exception, still accept the principle of the unrestricted transfer of interest on new foreign capital and its eventual repatriation, he cannot have failed also to notice the treatment of existing investments in many countries and the many delays and administrative limitations, often arbitrarily imposed, to say nothing of the sudden depreciation of currencies, that so often intervene before the principle is translated into an accomplished fact. It may well be that the future investor in Latin America will look more to the complementary trading advantage that his investment brings, rather than to the normal interest return on his capital and its eventual repatriation.

The British exporter can still play a profitable part in the industrial and commercial progress of this region, and it is perhaps in this field that one can look to the future with most confidence. But the road is not an easy one, there is much hard competition to be overcome, and certain shortcomings in our own exporting processes must be eliminated if we are to obtain our fair share of this desirable export market.

If assurances are to be sought, let me offer to those who doubt my belief that, in spite of the vicissitudes with which we are from time to time confronted and which often seem to be more than merely temporary, traditional British banking, and especially, as in our case, in its international role, still has a part to play in the development of Latin America; and that we shall be expected to continue serving the various countries where we work, with as much advantage to both sides, as we have always done in the past.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

After suffering a considerable reduction during 1952, it is encouraging to note from the balance sheet that the total assets and liabilities have increased by £15,437,525 to £161,132,751 despite the adverse effect of lower exchange rates in operation at some branches when the books were closed last December.

Current, deposit and other accounts are over £10 million up at £111,113,957, this increase being spread over nearly all countries where the bank maintains branches, while an expansion in our operations in Argentina accounts for the higher figure of £20,568,437 due to the Argentine Central Bank. The only other variation of note is the increase of £3,043,000 in documentary and other credits outstanding.

Cash in hand, at bankers and at call is £1,724,000 higher at £39,198,110, and despite the strong and liquid position thus disclosed, our interest-earning assets in bills receivable at £50,184,364 and advances at £34,165,758 have been expanded during the year by some £8,253,000 and £830,000 respectively, while investments in foreign government securities are also up by £930,000. There is a decrease of £7,138,000 to a total of £54,646,860 in bills for collection on account of customers, which is accounted for partly by a reduction in volume and partly by payment of bills, settlement of which was delayed last year.

THE DIVIDEND

Your board has given very careful consideration to the amount of the final dividend that they are prepared to recommend. In view of the absence of remittances of amounts at all on account of profits earned in Argentina since mid-1951, the position with regard to earnings in Chile and Uruguay and the heavy depreciation in the value of the Brazilian cruzeiro in the free market, they do not feel justified in recommending a higher rate of distribution for the year.

The net profit, after appropriations for taxation and inner reserves, is £341,778, which is less than last year by £19,316. However, I am glad to say that the remittance position is less unsatisfactory than in recent years, the Brazilian profits having been received in sterling in their entirety, although at varying exchange rates bearing little relation to the official rate.

THE DECCA RECORD COMPANY

PERIOD OF REMARKABLE EXPANSION

CONTINUED DEMAND FOR L/P RECORDS, NAVIGATOR AND RADAR SYSTEMS

SIR CYRIL F. ENTWISTLE'S REVIEW

The twenty-fourth annual general meeting of The Decca Record Company, Ltd., was held on March 10th at Winchester House, Old Broad Street, London, E.C.

Sir Cyril F. Entwistle, QC, MC (the chairman), presided, and in the course of his speech said: The balance from trading accounts amounting to £1,321,932 shows an increase of £121,518 over the previous year and is double the 1951 figure. In view of the very sharp advance in profits for the previous year I feel that you will regard the further increase reflected in the accounts under review as most satisfactory, particularly as the increases in wages referred to in my speech last year were absorbed without any increase in prices. After providing for maintenance of machinery, plant, tools, and charges for depreciation and interest, the profit for the year, subject to taxation, of £951,714 represents an improvement of £151,175 over the previous year. Taxation, including a full twelve months of excess profits levy, rose sharply, but despite this the net profit, after taxation, of £388,894 is larger than that of the previous year. We are recommending a final dividend of 1s. 3d. per share, less tax, making a total for the year of 1s. 9d. per share, less tax, compared with 1s. 6d. per share for the previous year, and this dividend is payable on the capital as increased by the issue of 200,000 shares in March last.

REARRANGEMENT OF CAPITAL STRUCTURE

At an extraordinary general meeting to be held immediately after this meeting proposals are being put forward for a rearrangement of the capital structure of the company. The proposals are to split each existing 5s. ordinary share into one ordinary share of a par value of 4s. and one 25 per cent cumulative preference share of 1s. and then to consolidate five 1s. preference shares into one preference share of a par value of 5s. The effect will be that the existing holder of 100 5s. ordinary shares will have 100 4s. ordinary shares and 20 5s. preference shares. These proposals, which we believe to be of material benefit to the shareholders, have been made in the belief that we can provide the dividend on the new preference shares without diminishing the amount distributed on the ordinary shares.

REVIEW OF OPERATIONS

Our record business has forged ahead with a substantial increase in sales both in the home and overseas markets. As a result of the efforts of our engineers we have been able to improve still further the already high standard of our recordings which we claim without diffidence to be the standard of comparison in the record industry. Despite increased competition we have maintained our long lead in the European classical recording field.

L/P RECORD SALES

It may interest you to know that we have already sold over 9 million long-playing microgroove records with sales for the current year substantially in excess of those of any previous period since their introduction. This total is equivalent to more than 40 million 78 r.p.m. shellac records, a tremendous production even for an industry which talks in millions. The long-playing

record business in this country although improving still lags behind other countries and is, we believe, in its infancy. I am glad to be able to report that both in the USA and Canada we have maintained our competitive position during the current year with increased sales. Sales of our television-radio department will show a further advance over those of the previous year.

THE NAVIGATOR

The business of the Decca Navigator has continued to expand, new hirings once more during the current year showing a greater rate of expansion than those of the previous year. The most important civil contract received during the current year was for 40 installations for British Railways, which, with the 26 ships previously fitted, will provide Decca navigator service for the entire British Railways fleet. European coverage of the system has been expanded by the opening of the French chain of transmitting stations. The large amount of effort in connection with research and development as well as sales on the air side of the business has continued. A new type of flight log has been flight tested in prototype form and is expected to prove the solution to the problems of restricted cockpit space and pilot preoccupation which arise in small aircraft such as helicopters, fighters and private planes. The instrument has aroused wide interest in countries in which it has so far been demonstrated. We believe the Decca system to be the only navigational aid available in Europe which does, in fact, provide accurate position-fixing, and an additional contribution towards safety in the air. A variation of the basic principle of the flight log has been incorporated in a new instrument, the Marine Track Plotter, which is intended for special marine operations. Production has already commenced and substantial export orders have been obtained.

"DECTRA" AND "DELRAC"

We have evolved a new long-range navigational aid, "Dectra," working on the basic Decca principles. This system will provide accurate tracking and distance indication for air routes up to 2,000 miles and should be particularly applicable to the north and south transatlantic routes. In the same field, but for longer-term consideration, a second system, "Delrac," has been devised to provide long-range area coverage for both aircraft and ships on a world-wide basis. You will appreciate that, while our solidly established marine business continues to expand, we have at the same time continued our research and development upon a heavy scale with a view to further expansion in the applications of the Decca system, for which we hope to reap our reward in due course.

RADAR

Decca Radar had a highly successful year with a large increase in sales. Since the beginning of the current financial year a further 150 shipowners or authorities have been added to the list, bringing the grand total of users of Decca radar to over 700 for nearly 3,200 vessels of all types throughout the world. Extensive deliveries have been made to the Royal Navy and to Nato countries under American offshore procurement. With the overtaking of the back-log of orders the rate of new fittings has slowed down,

but it has been maintained at a satisfactory level. A world service organisation which we believe to be unequalled has been established providing efficient Decca radar service either through our own subsidiaries or through agents in over forty countries. The current year has seen a considerable widening of the scope of our radar activities. Having secured a firm position in the marine field, we have pursued a policy designed to place the company in the front rank of world radar manufacturers not only for marine applications, but for an extensive range of civil and military purposes, both marine and air. The advanced nature of our radar design and the quality of our engineering has been noted by both the Admiralty and the Ministry of Supply and we have been entrusted with a range of development programmes advanced in technique and of importance to the security of this country. To execute these programmes we have had to extend an already large research and development organisation, and we are now in possession of well-equipped laboratories staffed with highly efficient personnel.

SEVEN YEARS OF PROGRESS

The following statistics illustrate better than anything I can say the remarkable expansion that has taken place in the seven years from the end of our financial year in 1946:

	1946	1953
Salaries and wages ...	£157,000	£1,592,000
Area occupied ...	sq. ft. 125,000	sq. ft. *630,000
Turnover ...	£1,026,000	£7,320,000
Exports and overseas sales included in the above turnover	£89,000	£3,458,000
	* 1954.	

During this seven-year period, despite the fact that £586,000 has been raised through the issue of new ordinary shares, the net amount distributed to the ordinary shareholders by way of dividend for last year is only £86,000 greater than for the year ending March 31, 1946. Taking into consideration the fact that over the same period wages and salaries increased by £1,400,000 it is quite apparent that the reward to shareholders is insignificant compared with the benefits derived through the large expansion of personnel employed by the company.

I referred last year to the great efforts the company has made in extending exports and overseas trade and the figures quoted showing a phenomenal seven years' expansion are ample proof of their successful outcome.

We are assured of another successful year's trading and have declared a first interim dividend on the ordinary shares of 3d. per share. This dividend is the same in amount as that for the previous year and as already indicated we have every intention of distributing on the ordinary shares in their new form for the year a sum at least as great as that for the previous year.

We have every reason to believe that we can expand our business both at home and overseas and look forward to the future with confidence.

The report and accounts were unanimously adopted and the retiring director was re-elected.

At a subsequent extraordinary general meeting the proposed rearrangement of the capital structure of the company was approved.



Thoughts are free from toll

WILLIAM CAMDEN (1551-1623)

To think is not expensive. It needs no apparatus, no personnel, no premises. The only equipment is in one's head; the gears and pinions of the brain, and the lever that sets them turning.

Everyone can be a thinker. Not a great thinker, perhaps; but the creator, now and then, of a thought that has great consequences. And that is the measure of a thought's greatness: the ripple that it spreads.

At the back of every new industry is such a thought. Can 'it' be made some other way instead? Marketed or assembled more simply? Processed or refined by that method or in this place, instead of as before? A progressive industry is the translation of these thoughts into machinery, buildings and organisation.

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.



Esso Petroleum Company, Limited

Productivity

What are the railways doing to increase their productivity? Since 1948, when they were unified into a single national system, they have been doing a great deal.

In all departments there has been a strong drive for economy through standardisation and simplification. Simplified working has made possible the closing of 71 goods depots, 34 marshalling yards, 36 motive-power depots and sub-depots.

Despite restrictions on capital expenditure, progress has been made with mechanised handling. Modern techniques are now widely applied in goods depots. More and more, the engineering departments are turning to prefabrication. In the four years 1950-1953, pre-assembly methods were used for the re-laying of over 1,000 miles of track.

The efficiency of freight train operation is reflected by the number of net ton miles hauled per total engine hour in traffic:

	1938	1953
	100	134

Other statistics of operation show advances in efficiency. The following figures speak for themselves:

	1938	1953
AVERAGE WAGON LOAD THROUGHOUT	100	129
FREIGHT TRAIN LOAD	100	129
FREIGHT TRAIN MILES PER TOTAL ENGINE HOUR	100	104

Railway staff have undertaken to co-operate in the great productivity drive. Speaking at the annual dinner of the Institute of Transport, held on 26 February, SIR BRIAN ROBERTSON, Chairman of the Commission, said: "The time has gone when the representatives of management and of the workers can regard themselves as being in opposite camps, seeking constantly to gain a victory at the expense of the other. So far as the railways are concerned at least, there are not two sides any longer. Management and workers are alike faced with a grave common problem which will only be solved by joint effort. In the matter of leadership, I feel that I am entitled to look to the Trade Unions to do their share and to display those qualities of wisdom and statesmanship which this age demands from them."

The Commission know that the railways' productivity record is far better than is commonly believed. And they know, and railwaymen know, that their whole future depends on what they can do to improve on that record in the next few years.



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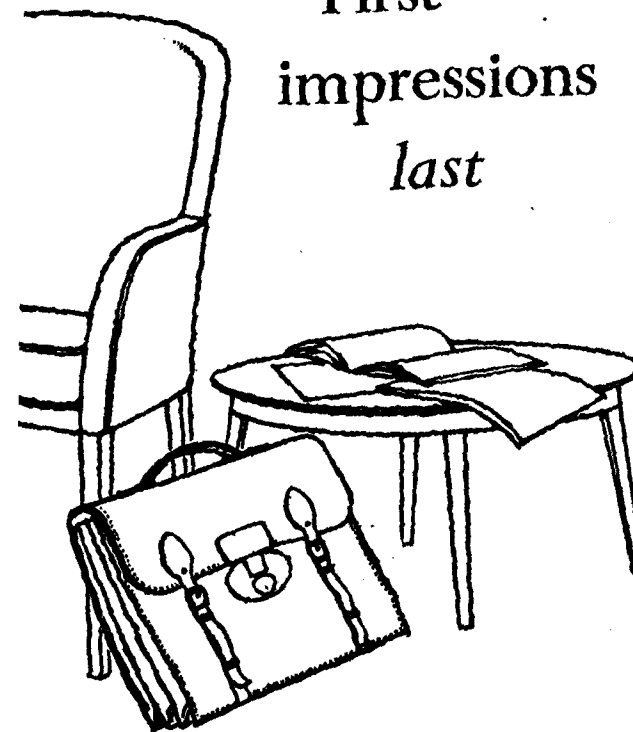


Thank you,
Malaya

A new chapter in the history of personal courage is being written. It is headed "Malaya". It is the story of people who have put duty before safety, who have stretched courage to new limits and who have lived and worked under the threat of disaster. But courage mounted in the face of threats: British leadership stayed firm in the time of greatest need. The many thousands of people who make up the firm of Dunlop thank Malaya for its tenacity. Malaya has saved one of the world's vital assets—rubber—and has upheld our way of life. Dunlop owes Malaya a deep debt of gratitude. We will repay—by directing knowledge and skill to find new uses for rubber and to create growing markets for an ever increasing range of products. Thus will we again contribute to prosperity for the peoples of Malaya.

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last



IMPORTANT PEOPLE visit a managing director's office. Its furnishing scheme should do more than form a stimulating background to discussion. It should convey at a glance the company's character and outlook—for first impressions not only count, they last.

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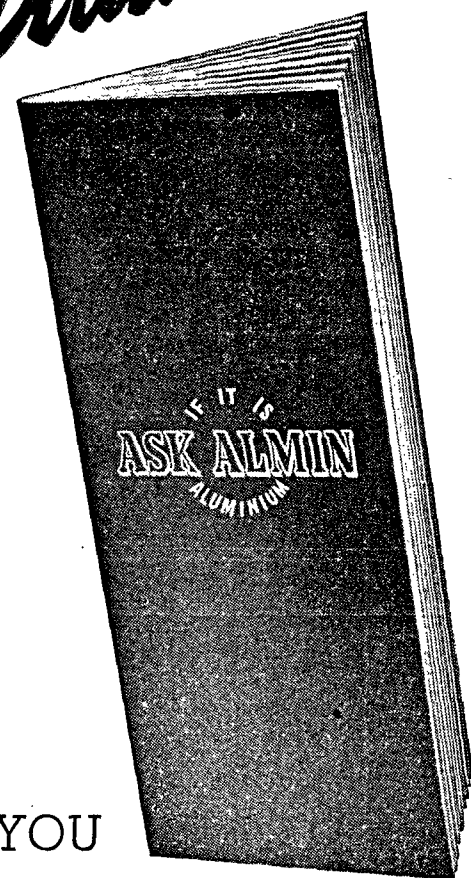
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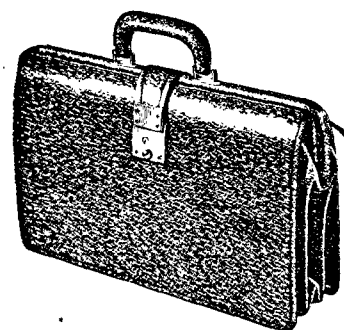
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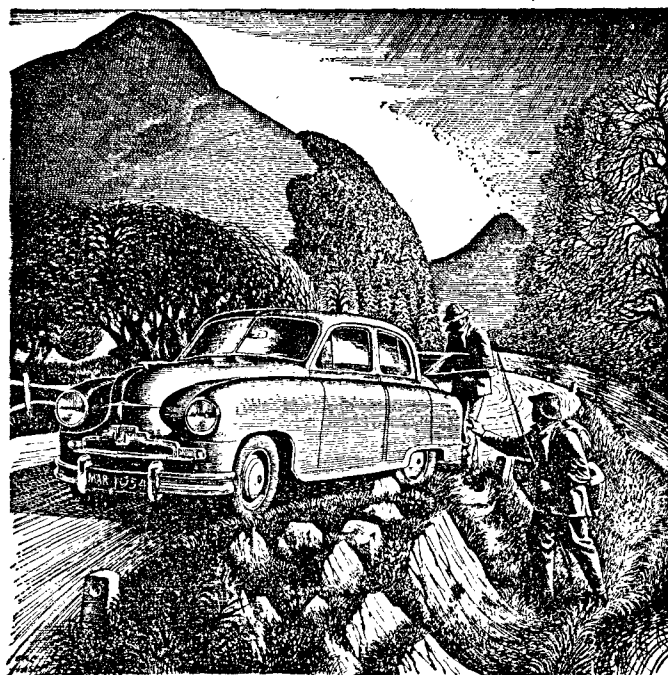
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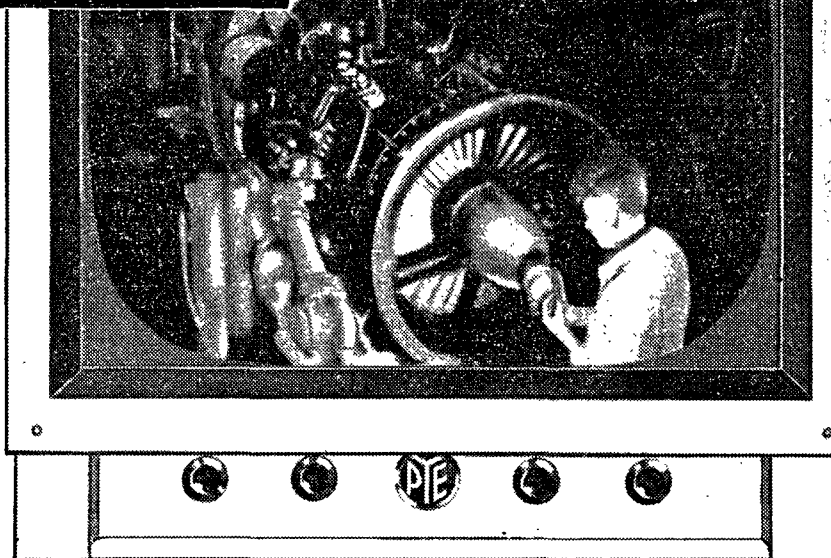
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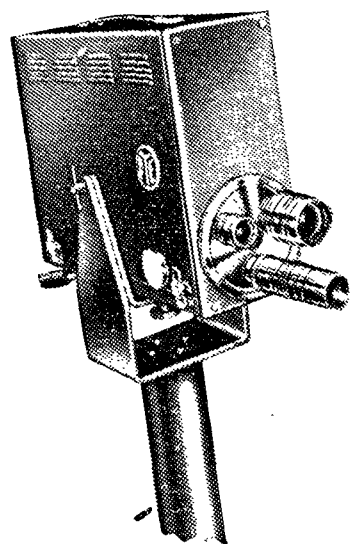


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The Economist

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MARCH 20, 1954

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What Sort of Parliament?

ACCORDING to current gossip at Westminster, Sir Winston Churchill and the Cabinet were willing to accept the case for an increase in MPs' salaries, but a clique of Tory backbenchers has howled them into inactivity. If so, two unfortunate consequences may follow. First, the Labour party, most of whose members are worse off than most of the Tory backbenchers, may seethe with indignation at what it will regard as the hypocrisy of a few rich men. Secondly, the country as a whole may be prevented from considering, in a proper spirit of impartiality, one of the most important and difficult questions facing any modern democracy: what sort of Parliament does the country want?

The sort that it has got at the moment is one where politicians still enjoy being MPs, but not as much as they did. It is a pity that the recent Select Committee on Members' Expenses seemed to deny this, and that from every page of its report dispirited ascetics stared at the reader with reproachful spaniel's eyes. A Parliament of spaniels would be a dreadful thing for democracy, but Britain has not really got one. By and large, it still has a rather better mixture than most other Parliaments in the world; in both parties, and both sexes, it has some hardworking and intelligent sheepdogs, some bulldogs, some bloodhounds, and a few yapping pekes. The problem is how the country can keep up this generally satisfactory supply.

If it is to do so, parliamentary remuneration must fulfil three conditions. First, it must be high enough to allow people of the right calibre to try their hand in Parliament without driving their families into discomfort. Secondly, it must not be in such a form that members are inoculated against the ills that fall on other sections of the community when either prices or taxes rise. Thirdly, it should not provide backbenchers with a positive financial incentive to stay in Parliament, even at the expense of toeing a party line which they know ought to be kicked. In general, the fewer "long-service" backbenchers there are, the better will the country be served.

The best way in which a Parliament can live up to these three conditions—no penury, no inoculation against general economic ills, and no unbreakable individual ties with politics—is by its members holding on to outside jobs, to which unsuccessful or unhappy politicians can return with profit and at will. Two objections have been put forward to this argument. The first is that the narrow Government majorities at the general elections of 1950 and 1951 have ushered in a long period during which membership of Parliament must be a full-time occupation. This objection is baseless, because it explicitly assumes that no more than 2 or 3 per cent of the electorate will change allegiance in the second half of the twentieth century. Certainly there is a case for some easing of the restrictive practices which create so much unnecessary work in Britain's Parliament, as in Britain's industries; but there is no case for taking the irrevocable step of putting Parliament on a whole time professional basis, in the

belief that present inconveniences are a symptom of the state of things to stay.

The second objection to a Parliament of flexible amateurs is more valid. Although members can combine such employments as company directors, lawyers, paid trade union officials and journalists with parliamentary duties—as, in fact, two-thirds of them do—it is not really possible to teach in a school or drive a railway train between division bells. It is therefore an immutable principle of modern democracy that parliamentary remuneration must be high enough to enable some men without immediate scope for outside earnings to find their feet at Westminster, to carry out their jobs properly there, and to work their way up to the top. The question at issue is whether the present scale of remuneration allows them to do so, while still not being high enough to induce men who can never rise to the top to go on bumping along the bottom—that is to say, while still not militating against the ideal that back bench politics should never be a lasting profession, but only either a stepping-stone to higher things or else a rather unnerving interlude in an otherwise normal life.

★

Any study of this question involves treading on delicate ground. At the moment members receive £1,000 a year. Apart from free first-class rail travel to their work, free stationery in the House, and free local (London) telephone calls from it, they must meet all expenses out of these salaries. They are helped to do this by the Inland Revenue's regulations about income tax. As a matter of administrative convenience the Inland Revenue assumes that each member will devote at least £100 of his annual salary to meet expenses, and members therefore automatically receive that amount free of tax. In addition, the Inland Revenue sends each member an annual form on which he can claim tax deductions in respect of other expenses up to (though not above) the full £1,000 of his salary. The form lists expenses under five heads, the principal of which are the "additional cost of living away from home when engaged in Parliamentary duties" (which usually means the cost of living in London while still keeping a home going in one's constituency) and secretarial expenses.

In 1952-53 only 5 members did not bother to fill in this form, and therefore satisfied themselves with the minimum £100 of tax-free income to meet expenses. No fewer than 135 members claimed and got tax freedom for the full £1,000, and the average claim allowed was £750. Although the tax authorities are bound to refuse claims for certain banned items of expenses—such as travel by car and the cost of living in one's constituency as well as in London—the chairman of the Inland Revenue told the Select Committee that "we probably question members of Parliament rather less than most people."

There is nothing improper in this, but the implication—derived from the average claim for expenses—that many members are supporting their families

on less than £250 a year does not hold water. What is true is that, in order to keep up the standard of living to which anybody who has become a member of Parliament quite naturally feels entitled, some politicians may have to skimp their duties. Once this is established, the case for some increase in remuneration really gathers preponderant weight. A hard-hearted insistence that salaries should remain at their present level will not do anything to get rid of the hard-pressed professional backbencher; he will stay on in a life from which he still derives excitement and prestige, cutting down on his political expenses and grumbling in the tea room. It is the younger politician with a young family, trying to work up to the top, who will enthusiastically spend himself into debt, and then throw up the sponge before he has made his mark; and this is a bad thing, for all sections of the community and for both parties.

But what form should the increase in remuneration take? It is necessary to be specific. At the moment, thanks to the dusty public reception of the Select Committee's report and to tempting analogies with the practices of private industry, some people's minds are turning towards a reimbursement of expenses—including secretarial assistance provided by the public and an additional subsistence allowance for members who have to live in London but serve provincial constituencies. The disadvantages of such disguised assistance are that it could grow without the public realising what was happening, and that part of it (including secretarial assistance) would not be spent on carrying out the duties of an MP in his constituency but on advertising to that constituency what a fine fellow he was. Perhaps there might be some experiment with the system (tried out in France) of paying a parliamentary typing pool out of public money, possibly attaching a separate pool to each party; but there should be no more than that.

★

If some small steps were made in this direction, however, there could be a compromise about the proposal to raise salaries to £1,500 a year. It might be wise for Parliament to vote that there should be such an increase, but that it should not come into effect until the next Parliament meets; this would have the advantage that MPs in the present Parliament would not quite so nakedly appear to be voting themselves more money, and it might do something to drive home the point that MPs' salaries should not rise automatically with the cost of living—as wages tend to do but many other types of income do not. At the same time, junior ministers should certainly get a salary as ordinary MPs; at the moment, they get only their ministerial emoluments and thus cannot claim income tax allowances for expenses incurred in their capacity as members. There is also a case for differentially higher salaries for ex-senior Ministers; it is in the country's

interest to keep in political life those men who have attained ministerial calibre, as distinct from the perpetual backbenchers, and the drop from £5,000 to £1,000 a year after electoral defeat can be cruel.

There remains the problem of pensions. In this field the Select Committee's recommendations were directly contrary to the country's interests. It proposed no official pension for members who had served for less than ten years, a pension of £350 per annum at the age of 65 for those who had served more than ten years, and of £500 for those who had served more than fifteen years; in fact, the most desirable scheme (from the public's point of view) would be one in which the pension actually went down if a backbencher continued to hang on to his seat. There is no hope of bringing such a scheme into effect, but pensions must not be allowed to pull Parliament in precisely the wrong

The Face of China

WHO and what are the western delegates going to face, when they sit down at the conference table at Geneva in a few weeks' time? Of the Communist delegations, the Russian group will be painfully familiar to veterans of previous marathon wrangles; and the North Koreans need hardly be considered, except for the fascination of seeing one dummy serving two ventriloquists. It is the Chinese faces that will be most eagerly scanned, for this will be the first full-scale incursion into the diplomatic world of the new species of Peking man.

A sad sequence of instances of the snubbing by Chinese Communists of even those people in the free world who have shown their willingness to give them the benefit of every doubt is already on record. It suggests that, as the men of Peking enter more and more into the main field of international relations—for the Geneva conference must be regarded as the beginning of a process of international acceptance of a power which cannot be ignored—they will prove not less difficult to deal with than the Russians, and perhaps even more so. So far, official western contacts with them have been confined to the never concluded negotiations for the opening of diplomatic relations between Peking and this country; to the appearance of a Chinese Communist delegation before the UN Assembly in 1950—when the arrogant General Wu forfeited whatever support he might have obtained; and to the endurance-test arguments at Panmunjom both before and since the Korean armistice. None of these precedents affords any ground for hoping that the presence of Chinese representatives in international conference will introduce an element of sweetness and light, or help to reduce the tension which exists between the West and the Soviet Union. On the other hand, in the days before the Communists came to power in China, Chou En-lai had

direction. A sensible compromise scheme would be one which ensured that no ex-member would get a gross income of less than £450 a year in his old age (or his widow less than £300); but which continued to leave pensions subject to a means test. If members' own contributions were sufficient to raise these figures to £500 and £350 respectively, and to meet certain hard cases, so much the better.

It is never pleasant or easy to pontificate about other people's pay; that is why wage arbitrators always deserve to be treated with both sympathy and cynicism. But the worst thing that the Government could do now would be to run away from the whole issue because of their own backbenchers' well-heeled scowl; those who were rightly irritated by the Select Committee's report (especially the form of pensions scheme it suggested) have a duty to proclaim this insistently and aloud.

a reputation for smoothness in his contacts with foreign diplomats and journalists in China, and if he himself comes to Geneva, there may be some softening of the personal asperity which has been all too common in dealings with lesser figures.

As the Geneva conference draws near, there is increased interest in this country in the old question whether Chinese Communism is the same as, or different from, Russian, and whether there is any prospect of detaching China from Russia by suitable diplomacy. In spite of the unpromising conduct of the Peking government in its foreign relations, there is still a widespread disposition to regard China as a more hopeful field than Russia for the exercise of a policy of conciliation. Past truculence is explained as an unfortunate effect of the Korean war and American non-recognition, and it is believed that there is a reservoir of potential goodwill in Peking if only it can be tapped. It is still held in some quarters that Chinese Communism, being based on a peasant revolution, is really quite un-Marxist; that its driving force is a nationalism which is liable to be as much anti-Russian as anti-Western; and that it is bound to develop on quite different lines from Communism in Europe.

How far does the evidence bear out these generalisations? They are certainly not in accord with the expressed views and purposes of the Chinese Communists themselves—that is, if a proper distinction is drawn between basic doctrine and temporary tactics. It is true that for a period of years after their initial failure to seize power in Shanghai and other cities, the Chinese Communists based themselves on peasant support and developed a technique of rural guerilla warfare which is now the model for revolution throughout Asia. But now that they are in power, with possession of China's industrial centres, the "leadership of

the working class," which always existed in theory, is to be reaffirmed, particularly by concentrating party recruitment in the towns instead of the country.

The party is already faced with the change in relations with the peasantry which inevitably comes when Communists take the first steps on the road to collectivisation. The moves made in China towards collectivisation, particularly in Manchuria, are conceived as a transition through several intermediate stages less abrupt than in the Soviet precedent. But what has occurred is already quite comparable to developments in the "people's democracies" of Eastern Europe, and collectivisation has gone further in five years than in Russia in the ten years after the revolution. In China, as everywhere else, agrarian reform has been a matter of Communist tactics, a bait to the peasants, who are attracted by the promise of land for themselves and do not realise until it is too late that the party's objective is always collectivisation, to be imposed as soon as possible. With all the propaganda about the "union of the four classes," there is in fact no policy for them except gradual liquidation, which is speeded up whenever the party is in a confident mood, and slowed down whenever serious economic difficulties are encountered.

American Activities

The notion generally promulgated amongst us of the people of the United States is that they are a filibustering, rollicking race—filling their newspapers with whole columns of boasting falsehood—haunting tavern bars—swallowing continually mint julep and other spirituous compounds—eternally chewing tobacco, and disfiguring every place they frequent with disgusting spittings—sacrificing their best statesmen and even the judges to party predilections—and forming at once a noisy, restless, anarchical, and aggressive community. So we think the Tory and genteel writers of England have loved to paint them, and so they are thought of by a large number of the public. To the British Commissioners appointed to attend the New York Industrial Exhibition, or rather to two of them—Mr Joseph Whitworth and Mr George Wallis, who have made special reports—we are indebted for a very different description of the Americans. They are more industrious than we are; they work longer and more continuously; English artisans come away from the States because they find the work too much for them; and American factories are regulated with as much care as the best factories of England. The bulk of the people are sober, steady, methodical, and energetic. Unless we direct all our energies to the work of self-improvement, the Americans will surpass us as much in ingenuity and skill, in intelligence and power, as they are certain to surpass us in numbers. . . . With a country offering to their energy almost unlimited means of subsistence . . . while they possess sharpened faculties, habits of industry, and mental energies far superior, taking them as a whole, to any of the yet half-enslaved, debased, and misled people of the Old World . . . they seem certain to become the greatest and most powerful nation that ever existed. England may hope to share in their greatness as hitherto, and may further hope that the two nations may grow together and be more and more closely united as they grow.

The Economist

March 18, 1854

Nor is the case very different with the intelligentsia, about whose widespread sympathy for the Communists a decade ago so much is made by British observers formerly in contact with Chinese universities. In those days the Chinese Communists pretended to them that they stood for democratic rights and freedom of thought, just as they pretended to the peasants that their agrarian programme was one of private ownership and to the small industrialist that they were his champions against the monopolies of the "Four Families." But none of these decoy programmes had anything to do with their real objectives.

China is too large to be a satellite of the Soviet Union in the sense in which the term can be applied to Poland or Czechoslovakia. Chinese national pride is a factor that is always present in relations with the Soviet Union and occasionally it leads to friction; there are signs that the Chinese are jealous of their sovereignty, and that the Russians have been careful so far not to infringe it. On the other hand, the emphasis laid by the Chinese Communist leaders on the international character of their movement and on its Soviet inspiration is maintained to a degree which cannot be explained merely as courtesy towards an ally.

The recent anniversary of Stalin's death called forth a most remarkable outpouring of eulogy from the Chinese press and radio, and a special meeting was held by the Party Central Committee at which his portrait was the object of homage paid to him as "the great leader and teacher of the world Communist movement." He was described as "the great standard-bearer for the liberation of mankind," and the builder of the Communist Party of the Soviet Union, "the most progressive, most experienced and theoretically best equipped party in the world." The highest claim made for Mao Tse-tung was that his theories were "a creative development of Stalin's teachings." Chen Yun explained that Stalin had shown "how to root out the exploiting classes, and particularly the last exploiting class, the kulaks"—a grim warning to the Chinese peasantry; and, turning to the international situation, he went on to tell how Stalin "freed the European and Asian peoples from the threat of fascist enslavement," so that today "the chain of people's democracies, from China and Korea to Czechoslovakia and Hungary, stand around the Soviet Union, forming the mighty camp of peace, democracy and socialism."

Too much importance should not be attached to oratory on a ceremonial occasion. But the sense of solidarity with the Soviet Union in an international ideological cause is most systematically inculcated in China and it would be unwise to assume that it is without depth. At Geneva, for the first time, the two principal Communist powers will be arrayed together at the conference table with representatives of the non-Communist world and the proceedings will be a test of their alliance as a diplomatic factor. It remains to be seen whether the partnership will prove as firm and immovable as the speeches made a fortnight ago in Peking would imply.

Suing the Samaritan

THERE is still a feeling, in some minds, that the man who brings an action for negligence against the hospital in which he has been treated is biting the hand that has brought him gifts. The strength of that sentiment is obviously diminishing, and logically it is not very defensible. The staff and premises of the hospitals are now provided by the public, exactly as those engaged in public transport are; and if an organisation which employs a bus driver has to see that he takes care, why not an organisation which employs a doctor or a theatre nurse? English (though not Scottish) courts now accept this general view, and—within limits—it is obviously a good thing that they should. But the spate of recent cases raises the question whether the present state of the law is in full accord with the long-term interest of the public.

Up to quite recently hospitals did not appear to be legally liable for what went wrong inside their walls. The classic case was *Hillyer v. St. Bartholomew's Hospital*, heard by the Court of Appeal in 1909. A Dr Hillyer went into the hospital as a non-paying patient for an examination to be made under an anesthetic. While on the operating table his arm was both burnt on a hot-water can underneath the table and injured by crushing. He claimed that he left the hospital in rather a worse condition than when he had entered it, and sued the governors of the hospital for negligence. Both the trial judge and the Court of Appeal rejected his suit. The courts said that the governors did no more than provide a place in which treatment could be given; once they had done so, and had engaged a competent professional staff, they were not liable for any carelessness by any member of that staff in his activities thereafter. It might fairly be said that the courts' judgments were a rationalisation of the nineteenth century view of charitable activities. Could the Good Samaritan have been sued for careless handling of the man he helped on the road to Jericho?

This conception—that the managements of hospitals are not liable for negligence although individual doctors or nurses may be—still holds good in Scotland. But English courts have gradually whittled it away; indeed their decisions provide a good example of how the courts can alter laws to accord with a change in social approach without ever confessing that they are doing anything of the kind. An important test case arose fourteen years ago. In June and July, 1940, a girl named Gold was given treatment in an Essex County Council Hospital for warts on her face. By mistake, her face was exposed to Grenz ray treatment by the radiologist without proper protection and it was permanently disfigured. She sued the county council and was successful. The courts declared that the radiologist was a full-time servant of the council and that the local authority was under statutory duty to maintain the hospital as a place for treatment.

This view was strengthened by subsequent decisions; and by 1951, in *Cassidy v. Ministry of Health*, Lord Justice Denning could say: "When hospital authorities undertake to treat a patient and themselves select and appoint and employ the professional men who are to give the treatment, they are responsible for the negligence of these persons in failing to give proper treatment." The courts in other words have reached the point of accepting the analogy between a surgeon and the captain of a ship, who has an independent command and yet who may still make his employer liable in damages if he is negligent in the course of his duties.

This changed concept of the function, and so of the duties, of a hospital authority opened the door to a vast increase in the number of claims against hospitals; and the arrival of legal aid brought people thronging through it. Some of the cases arise from simple forms of mishap. A nurse leaves a hot-water bottle against an insensitive limb for too long and a bad burn results. A nurse puts a tea-tray on a patient's bed without making certain that it cannot spill (that cost the Middlesex Hospital authority £100 a year ago). Other cases are more serious, but still plainly the result of errors. Last week's case of a child whose leg withered because it was enclosed in too tight a plaster seemed to fall in this category. These cases are a fair parallel with accidents on the road, and they are an abuse neither of the health service nor of legal aid.

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But there is another class of case which raises quite other considerations. This is the action brought against the hospital, and often against the individual doctor in the hospital as well, based on disagreement with the mode of treatment they decide upon. There have been two important cases in the last few months. Towards the end of last year the Southend Hospital and a doctor were sued by the relatives of a man who died after a blood transfusion, because the post-mortem examination showed he had absorbed—possibly at the transfusion—a fatal virus. A month later Charing Cross Hospital appealed to the Court of Appeal against an award of £4,000 damages to a man who had lost the use of an arm after a blood transfusion; there the allegation of negligence had been that the technique used was dangerous. It was argued that an article in *The Lancet* had suggested that this technique might involve some risk, and that a doctor is negligent if he does not read his medical publications with proper thoroughness. In both cases the courts turned the claims down.

Once again, these decisions seem to be in accord with the public interest. Medicine is not an exact science. It is the empirical application of accumulated knowledge and experience to an individual and idiosyncratic human

body. It is bound to be an affair of calculated risk, and it must experiment if it is to progress. Not all the experiments that have produced the advances of the last two centuries would have been made if the surgeon or physician responsible had known that he might have had to account for any failure in a court of common law (and to a jury not wholly free from fear and superstition).

In broad outline, therefore, the present state of the law—that there must be damages for negligence but not for unsuccessful experiments—seems to accord with the public interest. But doctors still have two reasons for uneasiness. First, there must be borderline cases; and when damages are recovered now there is an implication that something like professional incompetence has been proved. Nothing can be done about this, unless the law is—undesirably—either tightened or loosened. Secondly, however, doctors are disturbed by the view that the Ministry of Health still seems to take about where the final burden of damages should lie.

The case of *Jones v. Manchester Corporation*, which was before the Court of Appeal in 1952, arose out of a death under an anaesthetic. The relatives sued both the hospital authority and the doctor who had given the anaesthetic. The trial judge held that the doctor was both lacking in experience as an anaesthetist and negligent on the particular occasion, but ruled that the hospital authority should pay the whole of the damages awarded to the claimants. The hospital authority appealed and asked that the individual doctor should indemnify it completely against all damages and costs, on the grounds that there is an implied condition in every contract of employment that the servant shall indemnify the master against everything the master has to pay out because of that servant's negligence. Lord

Justice Denning doubted that proposition of law; but, where there is a joint liability for damages, the court has power, by statute, to direct in what proportions they are to be shared. In this case, the courts decided that 20 per cent should be paid by the doctor and 80 per cent by the hospital. Where an award of damages for negligence is made against a hospital board, it is still the policy of the Ministry of Health that the board should endeavour to obtain some contribution from the individual doctor concerned.

This policy is indefensible. On practical grounds it is discrimination against a professional class. In effect, it compels each doctor in the public service to reduce his income by the amount he has to pay for an insurance policy indemnifying him against this personal liability. No public authority compels its vehicle drivers to pay out of their own pockets an insurance premium to cover their negligence as drivers (it is not hard to imagine the comments of the Transport and General Workers' Union if any government department were to try). Why compel a public servant who is in a profession to do so? On social grounds it is equally unwise, because it may induce some individual doctors to think first in terms of financial self-preservation rather than in terms of positive action as a curative agency. If the logic of the Ministry officials were to spread, if generals were to be made personally responsible for the pensions of those men killed in any battle they lost, Britain would have neither generals nor victories.

That is the dilemma. If there is a mistake, those who suffer from it should be compensated, by damages. If there are no mistakes, it will mean that the individual doctor has ceased to experiment. The remedy seems to be to leave the law as it is, but to change official views on individual liability for damages.

Dilemma for Europe's Socialists

THE weakness of parliamentary democracy in France and Italy is one of the most serious threats to the western alliance. Flanked on both sides by powerful rivals which reject democracy, the democratic parties of the centre seem incapable of agreeing in office except to do nothing; and latterly the Socialist parties in each country have refused to enter government coalitions even on this condition. In Italy the paralysis of parliament may give the Communists another chance of winning power constitutionally. But even if it is the right-wing extremists who take over, the western alliance may suffer almost as much from their chauvinist intransigence as from a Communist attempt to capture the state machine from within.

The inability of the Socialist parties to play an effective role either in office or in opposition is obviously one cause of the trouble. Nowadays even conservative circles abroad regret the absence of a strong democratic

Socialist movement, such as exists in Britain and Scandinavia, which could rob the Communists of working class support and buttress an enlightened foreign policy. Under Mr Marshall and Mr Acheson the United States made deliberate efforts to strengthen the non-Communist Left in France and Italy with this aim in view. Why then have such efforts so conspicuously failed? Is it, as so many believe, because the continental Socialist is hopelessly doctrinaire, Marxist and anti-clerical?

It is, of course, true that continental Socialists are more doctrinaire than their British counterparts; but so are continental Liberals and Conservatives. It is also true that continental Socialists are anti-clerical; but so are many centre parties in the Catholic countries. As for Marxism, it plays a much smaller role than would appear from the lip-service paid to Marx in party manifestos; indeed, such lip-service is inspired more by

fear of leaving the Communists as sole heirs of Marx's prestige among intellectuals and workers than through belief, or even interest, in Marxist theory.

There are obvious historical reasons why anti-clericalism is part of the democratic tradition in both France and Italy. The Catholic church has usually been conservative in times of great political conflict, if only because it has feared corruption of the faithful by free-thinking—the current Vatican discouragement of French worker-priests is typical. If it had behaved like, for instance, the non-conformist churches in Britain, continental Socialists might have recognised the same debt to organised religion as the Labour party feels. As it is, many continental Socialists are Christians without ceasing to be anti-clerical.

Although since the war progressive ideas have found considerable support inside the Christian Democrat parties, they have never determined their policy, except for a time in France. And in France, as elsewhere, the rigidity of the Catholic parties on such issues as education has repeatedly wrecked co-operation with the Socialists on other matters. It is easy to say that the Socialists should have yielded on this issue; but they could not have done so without losing support to the Communists. On this and similar questions anti-clericalism is popularly regarded as the acid test of progressive politics.

Moreover, in a country with a strong Communist party, the Socialists cannot afford to join a coalition with right-wing parties unless assured of a decisive influence at least over its social and economic policies. If the government fails to move left in these fields then, whatever its foreign policy, the Socialists must leave it, unless they are prepared to commit political suicide. Holland and Austria are the exceptions which prove the rule. In Holland the Socialists dominate the coalition; in Austria the presence of the Red Army has ruined the appeal of Communism, and international factors obviously impose national unity.

In France and Italy, however, the workers are far more conscious of the misery that persists among them than of the national danger. And the lack of civic virtues in both the administration and the administrated prevents the application of the only economic techniques which democratic Socialists have so far found effective. Here the French Socialist Party faces a particularly awkward problem: the civil servants form an essential element in its electoral strength, and it cannot easily lay the foundations for a Socialist policy by rationalising the swollen administration.

These generalisations are amply borne out by the postwar history of the Italian and French parties. During the war the confidence of the Socialist leaders was so low that Signor Saragat, as well as Signor Nenni, favoured fusion with the Communists. They were agreeably surprised in 1946 to surpass the Communists by winning 21 per cent of the popular vote. But Signor

Saragat, the anti-Communist leader, showed a remarkable consistency in doing the right thing at the wrong time. By splitting with Nenni before the issue with the Communists had been properly fought out, he decisively weakened what might have become an anti-Communist majority. And having formed an independent Socialist party he committed it to sharing responsibility in a Catholic government while it was much too weak to influence its policy. As a result his vote fell from 7 per cent to 2.5 per cent in 1953, and he lost more ground through the operation of the new election law. So he was compelled at last to abandon office, at the very moment when his support would have been most valuable. He now looks for a reconciliation with Signor Nenni; but though Nenni himself may some time wish to cut loose entirely from the Communists, his party machine is now so firmly controlled by crypto-Communists that he could not carry it with him without the consent of Signor Togliatti.

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In France the Socialists avoided a similar disaster through wiser leadership. They lost heavily between 1945 and 1946; but, by leaving the government once it was clear they could not ensure a progressive social policy, they managed to rebuild their strength. They are now the strongest of all the democratic centre parties, with 14.5 per cent of the vote in the 1951 election, and still better results in last year's local elections. The party's secretary-general, M. Mollet, whose survival in that post over seven difficult years is itself evidence of his political flair, launched last summer a campaign to form a Democratic Front by local co-operation with the members of any party who would work for a progressive policy. This is, in effect, an attempt to apply the tactics of the united front from below.

M. Mollet has rejected the formation on the same basis of an alliance in parliament, for fear of becoming involved in the governmental merry-go-round. Some of his critics believe that his reason for this rejection is his strong personal support for the European Defence Community, to which most of the deputies who might agree with him on social policy are opposed. But even if EDC ceases to be an issue, M. Mollet's devotion to the western alliance might prevent him from supporting a government which, though progressive in domestic policy, followed the line of M. Mendès-France on defence and foreign policy.

However disappointing it may be to observers abroad, it seems unlikely that party interest will direct either the French or Italian Socialist parties back into a government coalition, unless their prospective partners undergo a convincing transformation of social outlook. And it is doubtful whether the interests of their countries or of the West as a whole would be well served by forcing the Socialists to commit suicide in office.

Notes of the Week

Night Offensive

THE Government's handling of the annual offensive of the Whitehall warriors showed considerable improvement on earlier postwar practice. The Labour Government developed a habit, which at first the Tories did little to break, of making the Defence White Paper not much more than a summary of the main features of the service departments' estimates; the wider strategy of defence policy remained largely hidden from view, either from a misplaced sense of security or because it was too slight to bear public examination. This, in turn, lessened the importance of the departmental estimates and the annual debates on them. This year's White Paper at last embodied a serious attempt to set out at some length the basis of British strategy, and so was able to leave to the departments a greater share of explaining the detailed plans of the individual services.

It would perhaps be an exaggeration to say that a new broom has whisked through the service departments, but someone has been wielding a brisk duster, and everything points to the hand of Sir Winston Churchill. His service ministers have reason to thank him, for they have been able to introduce their estimates to Parliament with more informative speeches than usual, and the ensuing debates were on the whole more interesting. There is never any lack of ex-servicemen (both regular and wartime) to carry on these discussions, and this year they were augmented not only by the customary pacifist diversions, but also by a Labour Left anxious to stage a political demonstration.

This fell rather flat. The all-night sittings gained a certain amount of publicity, but debates on service estimates usually run into the small hours of the morning without any special intervention from the Bevanites. It is doubtful whether the average elector knew, or cared, that a demonstration was taking place. But having cajoled the Labour leaders into forcing a critical amendment against the Defence White Paper, the Left wanted to sustain the momentum, as part of a general campaign for more vigorous Opposition leadership.

After-Breakfast Speeches

As usually happens when MPs emerge self-righteously from the House at or after breakfast time, the all-night sittings on the Service estimates have revived controversy about the way in which Parliament organises its work. The general public can never understand these nocturnal

marathons, and suspects that MPs are indulging in a peculiar form of masochism or, in the present case, trying to win sympathy for their pay claim. In part the public's suspicions are well founded; some all-night sittings are unnecessary, notably those on "prayers." But others are virtually essential to the effective working of Parliament. Labour has suggested that to avoid all-night sittings on the service estimates, two days should be set aside for each service in future. But if extra days were added in lieu of all long sittings on exempted business, particularly the Finance Bill, the session would have to be extended by several weeks; the only alternative would be for the Government to cut deeply into its legislative time.

What is needed is not the arbitrary banning of all nocturnal sittings but their reduction to those that are really essential. This week a step has been taken to stop all-night sittings on "prayers." Three years ago a few Tory backbenchers kept dozens of Labour's angry and weary old gentlemen up night after night on trivial "prayers." Now the poacher has turned gamekeeper and the Government has thankfully accepted a Select Committee's proposal that all such debates should end at 11.30 p.m., with the proviso that if the Speaker considers that the "prayer" concerned has not been discussed enough he need only adjourn the debate. This is a sensible move but there is unlikely to be much Labour enthusiasm for an unofficial Tory proposal to carry the idea much further. A group of Tory MPs is suggesting that Government business should be approved automatically whenever the Opposition cannot raise 40 members. It is possible that Labour members are being unduly stuffy in standing by the undeniable principle that it is not their duty to expedite Government business; but it is for them, and not for the Tories, to decide whether they are being unwise in getting too frequently in that business's way.

New Model Army

THE Government has come out of the tedium of these defence debates in the House of Commons, and from this week's epilogue in the House of Lords, with some refreshing proposals for giving a new look to service conditions. In the Commons' debate last week Mr Head was able to cap the recent pay increases for regular forces with the announcement of new travel and leave concessions for troops serving in Kenya and the Middle East. As from April 1st regular soldiers who are separated from their families will be allowed one free flight home a year after spending nine months in these theatres. After two years all parents whose children have been left at home will be

allowed to have them out for twenty-eight days' holiday a year. The Air Council has also announced some special concessions (such as furniture allowances) for RAF men serving overseas. Such concessions, designed to soften the rigours of service life, are badly needed. They will probably do as much as, or more than, straight pay increases to help to keep the regulars in harness.

A grimmer note was struck in the House when Mr Sandys, the Minister of Supply, announced that bacteriological experiments are to be carried out in Bahaman waters this year. These are not in themselves a novelty; research on germ warfare has been going on in this country for many years, but the empty spaces in West Indian waters offer more scope for investigations which no responsible government should hesitate to undertake. A bigger question mark hangs over the announcement that next year's estimates for Civil Defence are to be cut by £2 million. The cuts fall chiefly on equipment and materials, which are the only heads under which the civil defence authorities have been spending much money; so much equipment was bought to help Lancashire out of its 1951 textile slump that stocks are now overflowing. These estimates were probably mainly prepared before the recent Select Committee criticised the inadequacy of civil defence; although the burden of that committee's complaint was not that estimates were too low, but that expenditure never came up to them, the virtual standstill in the most important forms of civil defence expenditure seems bound to leave the civilian population with a distressingly naked look.

Voting Without Choice

THE 1,347 hand-picked candidates for the Supreme Soviet have duly polled 99 per cent of the votes in the Soviet parliamentary "elections." After an electoral campaign which sounded as if everything was in earnest, this was a useful reminder that the whole election is a mere formality. The candidates of the "Communist and non-party bloc" are selected from above, and once they have received official blessing need fear no qualms at the polls, since they are unopposed. The electors have the right, indeed the duty, to vote—but not to choose. The Supreme Soviet is supreme only in name and theory, while the real power in the country is wielded by the leadership of the party.

Yet, in spite of this, the candidates are bound to woo the electors and to behave as if they were seeking a real mandate for their policy. This is why the electoral campaign provides an excellent opportunity to hear the official view of all the Soviet leaders on a variety of topics. Malenkov, Molotov, Khrushchev, and others have all delivered major speeches in their constituencies, dealing with both internal and foreign policy.

On the home front, the speakers were sober and business-like. Malenkov once again swung his critical searchlight and sounded warnings against the tendency to rest on one's laurels. He emphasised that planners, instead of listing past achievements, must look forward to the great tasks ahead. The productivity of labour, he repeated, is the real yardstick of progress, and it must be increased rapidly in

all fields. As part of the campaign to raise the standard of life, the targets for consumer goods under the Five-Year Plan should be fulfilled this year, twelve months ahead of schedule. Much emphasis was laid in all the speeches on the new drive to step up food production, which is discussed in an article on page 873.

On foreign policy, the picture was more confused. The claim that all issues can be settled by peaceful means was repeated, "peaceful economic competition" was set as a goal and the resumption of international talks was praised. On the other hand, there was a note of disappointment in all the comments, and Molotov's reference to "plots against the peace-loving Soviet Union" was echoed by all. It was left to Marshal Bulganin to claim that the Red Army is the strongest in the world, and that there is no intention to let it fall behind. The general impression left by the speakers is that, in the Kremlin's view, the best way to negotiate with the West is with the dove in one hand and the H-bomb in the other.

Explosions in Palestine

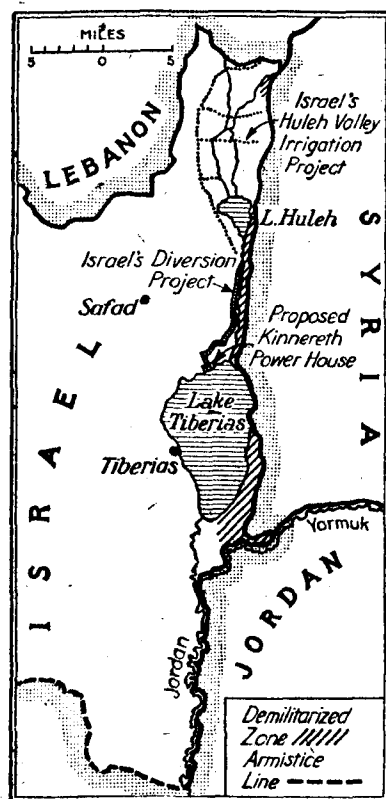
UP and down the Arab-Israel frontier, the thankless job that is being performed by the UN Mixed Armistice Commission has once again become heavy and trying. In the south, a band of marauders on Wednesday attacked an Israeli bus on the road from the Red Sea port of Elat to Beersheba, which runs close to the Jordan frontier; eleven of the bus's fourteen occupants were murdered outright. On the same day, there was a clash between an Israel army patrol and an Arab band in the Hebron area.

Earlier in the week and much farther north, Syrian gunfire was opened on Israeli fishing vessels close to the eastern shore of Lake Tiberias—the Sea of Galilee—at a point where the Syria-Israel armistice line, coinciding with the old international frontier, runs only ten metres from the east shore of the lake. Israeli police vessels returned the fire with 57 mm. cannon. The findings of the Mixed Armistice Commission, already available on this last incident, were that Syria fired first but that Israel acted reprehensibly in using such weapons to retaliate. Unprecedentedly, the commission went beyond a simple finding of guilt, and recorded the legal rights of the disputants by setting down where the frontier runs. The satisfaction with which this innovation has been greeted in Israel suggests that there was some doubt before whether the line was a permanent one, or an armistice one capable of adjustment at an ultimate peace conference.

Events such as those of this week, and matching ones such as that at Qibya in October, unfortunately render any such conference as remote as the Greek kalends. In both Jordan and Israel there are elements that want one, and favour damping down the violent feelings that follow each outrage. But there are others, vocal in Israel this week as they were vocal in Jordan in the autumn, that favour hanging the consequences and organising reprisals. In the autumn, these elements in Jordan were held in check. There is bound to be great pressure on the Israeli authorities not to keep tempers so controlled.

Sharing Jordan Waters

STILL farther north on the inflammable Israel-Syria armistice line lies the site of another quarrel—that which came to a head in September over the diversionary channel on the Jordan that Israel wants to complete. Border quarrels that take a toll of human life naturally inflame tempers more than arguments about water, but the question of diverting the Jordan is likely to have more far reaching consequences. The Jews have long been draining the Huleh marshes, and by reducing evaporation there have increased the total amount of water in the Jordan. They have also lately constructed large parts of a diversionary channel below the lake that will turn at least part of the Jordan water into a course wholly inside Israel. Before being returned to Lake Tiberias, this water will feed the



projected power station that is shown on the accompanying map. The Syrians complained that the diversion would impair the working of some small mills below the point of offtake, and in the demilitarised zone. They therefore appealed to the Mixed Armistice Commission, which ruled on September 23rd that the 1.5 kilometres of Israel's channel that runs in the demilitarised zone must not be completed. There is, for the moment, stalemate.

The Syrian objection about the mills conceals a much greater Arab fear—that the ultimate purpose of the power station is to pump half the Jordan water by pipeline out of the channel, over the hills, and into the coastal plain. This fear is borne out by maps the Israel government has been using to appeal for American money; not all of the many planning units in Israel think so expensive a water plan is a good idea. If half the Jordan were so diverted, Lake Tiberias would become a salt marsh unless replenished by a diversion of the Syrio-Jordanian river Yarmuk, which is only a trifle smaller than the Jordan. But why, the Arabs ask, should they agree to such a concession? They need at least half the Yarmuk water for Arab purposes on Jordan's east bank.

Of course much the most economic use of the pair of rivers would be a joint scheme. There has therefore been American pressure to this end, and the UN Secretary-General has sent two irrigation experts to the spot; they are at the moment preparing a report on the matter. But both Jew and Arab prefer self-contained arrangements.

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Their trouble is that neither can afford them; only this week Israel's premier, Mr Sharett, pointed out to a meeting of army reservists that if Israel used force to complete the Jordan river hydro-electric scheme in spite of UN objections, it would antagonise "allies overseas." He meant allies from which it needs help with money.

Oliver Twists Ascendant

THE engineering workers' decision to reject the employers' offer of an increase of 5 per cent on consolidated time rates is one more blow for the system of mediation in wage disputes. The court of inquiry had suggested that the increase should be "something in the region of a third of the amount claimed." As the claim was for 15 per cent, the employers duly offered 5 per cent. Now the union leaders complain that the employers are treating the court's report as if it were an arbitration award, whereas it had suggested that negotiations should be resumed. Next Wednesday, therefore, at a special meeting of the executive councils of the 38 unions affiliated to the Confederation of Shipbuilding and Engineering Unions, they will decide whether to operate the ban on overtime and the restriction of piecework which were postponed when the courts of inquiry were appointed. It is probable that the engineers will be satisfied if they can edge up the offer only a little; that, across the whole field of industrial bargaining, the unions have now got the employers—and wage inflation itself—gently on the run.

While the engineers, having moved from strike threats to sensible and successful arbitration, have now come back to strike threats again, the Electrical Trades Union is following the same circle but the other way round. The union is spurning the 7s. 4d. a week—or 2d. an hour—which was offered them last week; it wants something extra to show for all those guerrilla strikes. After refusing to consider arbitration for many months, it has therefore asked the Minister of Labour to refer the case to the Industrial Disputes Tribunal; it can do so in the knowledge that its workers are still only at the first stage of the circle, which the engineers and electricians had reached last January. The builders are angry with their employers for suggesting arbitration on their claim for another 9d. an hour. This, they say, is destroying the principles of collective bargaining, and they threaten to take some sort of strike action if they receive no offer by March 25th.

One lone voice in the wilderness has been the Porter tribunal, which has now refused to grant increases to obtained last year by engineering workers generally; it declared that the reasons which might justify an increase in one industry might have no application in another. The sorry consequence of the recent history of wage arbitration is that such a pronouncement is genuinely and indignantly regarded by the unions as old-fashioned Bumbledon, and a gratuitous insult to ascendant Oliver Twists.

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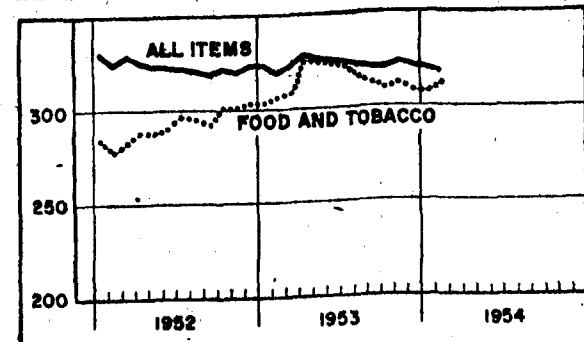
Tough Assignment in Kenya

A WIDE measure of agreement has finally been achieved in the constitutional negotiations in Kenya, despite some frightening checks. Mr Lyttelton has been able to leave the colony in the almost certain knowledge that his original proposals will be accepted—willingly or grudgingly—by the leaders of all the racial groups except the Africans; and that the Africans on the Legislative Council have themselves evolved a face-saving formula which does not commit them to stopping any of their members joining the new government. This moderately happy ending to what Mr Lyttelton (of all people) has called the toughest assignment of his life should be greeted with widespread relief.

The original African rejection of Mr Lyttelton's proposals, which led to an untidy flurry of fresh negotiations, seems to have been prompted by resentment on two points. Mr Mathu, the African leader, clearly felt slighted at the lack of confidence shown in him by his European and Asian colleagues. He says he was not consulted during the negotiations between the Governor and the other racial leaders before Mr Lyttelton's visit, and has spoken of a "conspiracy" on the part of the European and Asian leaders to present the Africans with a *fait accompli*. The Africans also felt that their share of non-official representation in the Council of Ministers—one in six—was unfairly small. They held out for two seats, which they were willing to balance by the inclusion of an extra European. Mr Lyttelton circulated this proposal, and some others, among the leaders of the other racial groups. But when it became clear that no agreement was in sight, he reverted to his original plan. The Africans have, however, been given an official promise, according to Mr Mathu, that they will in future be elected directly, instead of through local government bodies acting as electoral colleges.

The various parties to the negotiations have taken their political lives in their hands to get this plan accepted. Mr Blundell and Mr Patel, in particular, have both shown statesmanship—and have still to complete the task of rallying their own racial groups behind them. It is unlikely that Mr Blundell would have been able to win support for any amendments to the plan with which he and those European leaders who agree with him have been stumping the country. The Moslems appear willing to go along with the Europeans.

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So probably will the Arabs. For the Hindus, Mr Patel has declared himself in favour of participation; but he may yet have trouble with the Indian Congress, which has not allowed its leaders much rope in the current negotiations. It remains to be seen which African will be offered, and will be prepared to accept, the honourable post of first African Minister between Khartoum and the Cape. If the right man can be found, Mr Lyttelton's changes may yet prove to have been the hoped for watershed rather than a false crest.

Those in Need

THE publication of the estimates for the Ministry of National Insurance and the Assistance Board for 1954-55 is a reminder that among the many claims for relief Mr Butler is now considering those of old age pensioners must rank high. On December 10th last year, Mr Gaitskell was told in a parliamentary answer that the immediate cost of restoring all insurance benefits, including pensions, to the real value they had at the inception of the scheme in July, 1948, would be £10 million a year less a saving of £3 million in national assistance payments; and that to restore the real value they had in October, 1946 (when the new retirement pensions came into force), would cost £51 million, less a saving of £13 million. A few weeks ago, Lord Beveridge told the House of Lords that to put all insurance benefits on a subsistence basis would cost immediately some £100 million to £150 million a year. It is not clear whether he allowed for any saving on assistance payments. Even so, the difference in the two estimates is enormous.

There are two explanations. First, the insurance scheme has never been on a full subsistence basis. At the end of 1945, when the rates of benefit were announced, they were only 2s. below the Assistance Board's scale, including its average allowance for rent. But by October, 1946, they were nearly 4s. below, and by 1948 they were 8s. below. Since 1952 the gap has been 14s., made up of 2s. 6d. (the difference between the present benefit of 32s. 6d. and the ordinary assistance grant of 35s.), plus 11s. 6d., which is now the Assistance Board's average rent allowance. Secondly, the Government used the retail price index—which is not meant to measure the cost of mere subsistence—in the answer to Mr Gaitskell. Between 1946 and 1952, this had risen by 38 per cent; the Assistance Board's estimate of the cost of subsistence, including rent, had increased by 55 per cent in the same period.

If Mr Butler decides to raise insurance benefits, he may think that all he should do this year is to restore their 1946 or 1948 purchasing power and increase the rates by 4s. or 1s. 3d. accordingly. If so, some three million of the existing four million pensioners will be that much better off. But the remaining million, who are most in need; will be no better off because they will merely exchange a few shillings worth of assistance for the same amount of pension. Next year, when the Government actuary has reported on the insurance scheme, a much bigger step will have to be taken if the Beveridge principle of benefits adequate for subsistence is to be adopted.

EDC Scoreboard

LAST week the Belgian Senate followed the example set by the Lower House last November and approved a Bill ratifying the European Defence Community treaty. In both houses the voting cut right across party lines; in both the Bill gained a two-thirds majority; but in neither was it greeted with much, if any, positive enthusiasm. One more hurdle—a revision of two articles of the Constitution—remains to be crossed before Belgium can legally become a member of the EDC. Since under Belgian law constitutional revision can be carried out only by a parliament specifically elected for this purpose, the present parliament has been dissolved and general elections fixed for April 11th.

In Western Germany, where parliamentary ratification of the EDC treaty was completed in May, 1952, the constitutional obstacles are now almost cleared out of the way; the *Bundestag* has voted for changes in the constitution and approval by the Upper House is a foregone conclusion. Holland alone has the distinction of having completed all the action necessary to legalise its membership of the EDC. In France, Italy and Luxemburg no parliamentary action on the treaty has yet been taken. Last week, however, Signor Scelba, the Italian prime minister, reaffirmed in the Italian Chamber his intention of presenting the EDC treaty for ratification at an early date. Its fate at the hands of the Italian parliament is by no means certain; but it is at least something that the Italian government no longer feels bound to make ratification of the EDC treaty dependent on what Italians consider to be a satisfactory solution of the Trieste problem.

Thus the ratification score of the treaty, which was signed in May, 1952, creeps very slowly upward. The obstacles confronting the proposed defence community are so formidable that, in a sense, it is surprising to see the process of ratification going on at all. But it is at any rate encouraging that most of the signatories are using neither the heartsearchings of the French, nor the shrill propaganda from Moscow, as an excuse simply to wait and see.

France Rehearses

THERE have been so many tactical exercises in preparation for the EDC battle in the French Assembly that the roles of most of the contestants are already well known. Last week's congress of the Radical party proved an almost exact repetition of a similar meeting held last autumn. Once again M. Daladier exclaimed, in effect: "over my dead body"; once again M. René Mayer led the pro-EDC troops, and once again the counter-attack was led by the veteran leader, M. Herriot (who seems to be one of the few western politicians to have fallen for Mr Molotov's bait of "Europe for the Europeans"). It was largely due to the prestige of the old warrior that the stalemate was prolonged and the final resolution merely reiterated the preconditions laid down previously, for the mood of the congress has swung, if almost imperceptibly, in favour of M. Mayer.

The victory of Mme Peyroles, a Christian-democratic

partisan of EDC, in the Seine-et-Oise by-election was another heartening sign for the "Europeans." They could draw comfort from it not because EDC played an important part in the vote, but because anti-Communism proved a stronger factor among the electors than divisions about EDC. Mme Peyroles won in the second ballot in spite of a record Communist vote, because, while the Socialist candidate remained in the field, all the other non-Communist candidates resigned in her favour. There is, then, a growing feeling in Paris that the tide is moving at present in favour of EDC.

Yet the success of a first night cannot be accurately guessed from dress rehearsals. There is a general impression that the government is trying to prepare all the psychological effects for the actual performance by announcing in quick succession diplomatic victories on several fronts: German concessions on the Saar, stronger British guarantees, and further American help to end the war in Indo-China. Thus MM. Laniel and Bidault look to Mr Eden, Mr Dulles and Dr Adenauer to help them prepare the stage effects. But when will they be ready for the final performance? Despite the differences both within the parties and inside the cabinet itself, it was thought in Paris this week that the most likely date for the EDC debate would be mid-May, on the assumption that the Geneva conference duly opens on April 26th. All French calculations are now clouded by anxiety as to the outcome of the battle at Dien Bien Phu. Whichever side loses in that remote and desperate struggle will have also lost a vital round of the Geneva bargaining before it begins.

Soviet Trade and Sealed Envelopes

THE Russians are missing few opportunities of pressing their new trade offensive. They can hardly be dissatisfied with their achievements so far, for, while persuading the West to reconsider its strategic controls, they have themselves conceded nothing in return. But this is only the breakthrough, and, as the proceedings at the "Little Geneva" meeting of the UN Economic Commission for Europe (ECE) show, they now intend to exploit their advantage to the full.

It was obvious from the start that the Russians regarded the ECE meeting as an important occasion, for they sent a Deputy Minister of Foreign Trade, Mr Kумыkin, to present their case. Yet the West was taken by surprise when the Soviet delegate tabled his resolution calling for the revival of the long-dormant ECE Trade Committee to discuss not only the "removal of obstacles to international trade"—Soviet terminology for the strategic controls—but also long-term multilateral trade and payments agreements. The British representative, Lord Reading, was right in arguing that ECE, with its wide and mixed membership, has no competence to discuss the Nato countries' security system; but the West might regret the verbal manoeuvre by which the Soviet draft was altered. Even the tight wording of the agreed resolution will not necessarily frustrate the Russian plan to make a propaganda platform of ECE; and it might be a disadvantage to the



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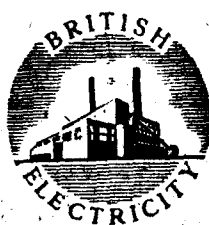
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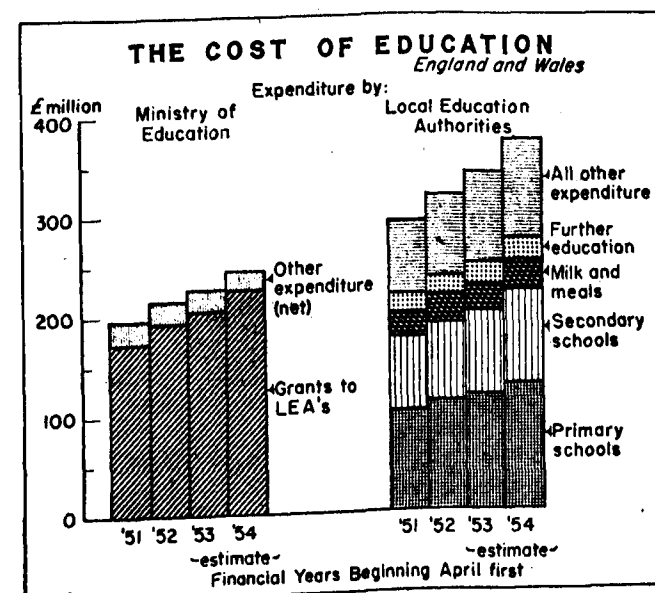
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western governments, should they want to ask questions about the autarkic Soviet bloc. The last has certainly not been heard of the Russian proposal for long-term trade and payments arrangements.

Many people now expect that attempts will be made to infiltrate trade questions into the discussions at the coming "Big Geneva" meeting. This may be the explanation of the mysterious sealed envelopes which contained hurried instructions calling off, at the eleventh hour, the invitation to a number of British traders to visit East Berlin for talks with the Chinese representatives there.

Bigger School Bill

INCREASES in the education estimates are inevitable so long as the local education authorities have to provide for a growing school population. In the coming year there are, however, two other reasons for the rise, which brings



the total net cost falling on ratepayers and taxpayers from £362.8 million to £392.3 million. One is the increase in teachers' salaries, which comes into force on April 1st. The other is the cumulative effect on loan charges of the postwar school building programmes; in 1954-55 these charges are estimated at £22.4 million, compared with £18 million in 1953-54 and only £11.9 million in 1951-52.

Still Swinging Right

THE Conservatives held on to their seats at the by-elections at Arundel and Harrogate last week, with slight increases in their share of the poll. Although the swings towards them were smaller than at Ilford, Haltemprice and Bournemouth, they can still look at the scoreboard with considerable satisfaction. As the accompanying table shows, all six by-elections so far this year have been in safe

Tory constituencies, and all except one have been in straight fights between the two main parties. Although far fewer people bothered to vote than at the general election

	Conservative Vote as % of Total Poll	Gain in Share of Poll over General Election %
Ilford, North.....	59.8*	+4.2*
Harwich	59.1	+0.2
Kingston-upon-Hull, Haltemprice.	61.8	+3.7
Bournemouth, West	69.7	+4.2
Arundel and Shoreham	68.5	+1.2
Harrogate	70.8	+0.2

* There was a Liberal candidate at Ilford at both the by-election and the general election; the Liberal proportion of the poll increased by 1.5 per cent, so that the Labour loss was 5.7 per cent of the poll.

(the proportion of the electorate voting varied between 45 and 59 per cent, compared with between 78 and 85 per cent in the same six constituencies at the general election) there has been in each case a swing to the Conservatives.

Snakes and Ladders

IN Mr Macmillan's view the Town and Country Planning Bill, which was given a second reading in the Commons on Monday, will not weaken in any way the system of planning control over the use of land. The Government means to preserve this intact, and the Bill will simply amend the financial framework within which planning must operate. The Opposition, however, was on firm ground in insisting that planning and finance are in practice closely interrelated. The Macmillan recipe is to limit the payment of compensation for planning restrictions to a minimum, while abandoning any attempt to tax future unearned increments in land values.

It was this latter point—the failure “to safeguard the public interest in land values created by community endeavour”—on which the Opposition concentrated its fire and decided to divide the House. The battle was a troublesome one for the minority of Labour members who understood it; fortunately, however, the majority of the faithful thronged into the division lobby without realising that the new measure will in fact be less costly to the Exchequer, and consequently less beneficial to the landlords, than Lord Silkin's unlamented scheme. The real danger is that the attempt to keep down the cost of compensation, by pegging it to 1947 development values, may eventually wreck the Macmillan experiment. One Labour backbencher, Mr MacColl, likened the new scheme to a game of snakes and ladders, under which an owner who can sell his land privately reaps the full market price for its development value, while if his land is compulsorily acquired or its use restricted he will get only the compensation claim (if any) established under the 1947 Act.

The drawbacks of a dual land market are already apparent. When good agricultural land is wanted for public development a great fuss is made by the farmers, but the same land will be sold privately without any difficulty unless the planning authority objects. Private trans-

actions are oiled with an adequate profit. The situation will become much more anomalous as the pattern of land values moves away from the 1947 base. The Bill's success turns in any case on the willingness of the Treasury to pay compensation freely. If inequities later force the Government to pay higher compensation (as they probably will), the cause of planning may be undermined.

It would be wrong and impossibly costly, as the Uthwatt Committee demonstrated, for the local authorities to pay compensation at market value in each individual case. But compensation could be more generous if it was tied in with a new attempt to collect betterment. The effect of close planning control may considerably enhance the value of a limited quantity of land, and drive the two land markets further apart. Equity apart, a homogeneous land market is an indispensable guide to rational planning. By stinting compensation and forgoing betterment, Mr Macmillan seems to be laying up a host of problems for his successors.

German Tax Cuts

A NEW phase in West German recovery has begun. The eagerly awaited bill for taxation reform has now been presented to the *Bundestag* by Dr Schäffer, the Minister of Finance. It does not satisfy the German business world, particularly the shipbuilders, who resent the removal of the concession of tax-free investments in their industry. To British eyes, however, his proposals look generous, and may well greatly increase German competitive power. It is true that Dr Schäffer has not touched the jungle of different taxes that disfigure the German fiscal landscape, nor has he been able to do much to curb the powers of the *Laender*. But his tax cuts and the removal of some of the special concessions are well designed to promote efficiency and to revive the market for industrial capital with the aim of reducing production costs. High interest rates on borrowed money and lack of risk capital from the public at home and abroad have proved a handicap which the Germans are determined to overcome. Dr Schäffer's proposals should help, as the main tax cuts will leave the Germans DM 2,300 million (£195 million) more to invest—or to spend—every year.

Compared with 1951 (that is to say, including the minor cuts made last year) the reductions in income tax for a married man with one child range from an average of 23-30 per cent for most grades to 61.5 per cent for the lowest income group. Following Christian-Democrat policy, the biggest incentives are given to large families and to the medium and small private business man. The highest rate that a man will pay is to be 55 per cent of his income, and that only on incomes over DM 600,000 (about £50,000) a year. The inheritance tax has also been drastically reduced.

German company directors have hitherto planned largely with an eye to avoiding taxation, which was fixed very high after the war by the occupation authorities, and a vast amount of unproductive time has been spent on searching for the numerous legal loopholes provided. Moreover, tax evasion has been widespread. Now it is hoped that economic principles will guide industrialists, and that tax arrears will be collected. These hopes may be justified. Dr Schäffer has reduced corporation tax to 45 per cent, and retained last year's concession whereby profits distributed in dividends are only taxed at the rate of 30 per cent.

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He showed moral courage in warning the *Bundestag* that a nation that had had a government "of criminals" which had started a war and allowed it to end in collapse—and which is still dependent to a certain extent on the generosity of others—cannot tax itself less than its victors. It is hard to make comparisons between the German and British systems, and Dr Schäffer, though doubtless accurate, was vague. He declared that the total burden borne by West Germany is still above that of "other nations," but that some of the new German rates will be below those of other "rich countries." The key to Dr Schäffer's ability to make these reductions lies in his estimate that the German gross national product will continue to rise in 1955 by five per cent.

Uno's Roubles Trickle Through

IT was as long ago as last July that the Soviet government announced, with a fair flourish of trumpets, its willingness to contribute at last to the United Nations technical aid programme, which it had boycotted for several years. The offer of four million roubles (nominally \$1 million) was, however, hedged about with conditions which at one time made it seem doubtful whether Uno would ever see the colour of the money. It was to be in Russian currency—valueless outside the Soviet empire—and restricted to use only by the technical assistance branch of Uno itself.

UN officials were obliged to point out that the rules of the technical aid programme, which is jointly operated by Uno, Unesco, the ILO, and the international food and health agencies (FAO and WHO), require that contributions must be shared between the participating bodies. Discreet negotiation with Moscow brought no immediate easing of the Soviet conditions, and although the roubles were nominally intended for use in 1953, at the year's end they still lay in the Russian state bank.

Now, apparently, the Russians have given way sufficiently to get the money moving. It is reported that they have agreed, in principle, that the specialised agencies may have their share of the roubles; and that they will permit the conversion into other currencies of part of their contribution, so as to cover the expenses of Soviet technicians assigned to underdeveloped countries. Further hitches may well arise before any Russian technicians are lent to—or accepted by—such countries; but the United Nations may be complimented on the quiet tenacity which it has shown in translating a somewhat evasive gesture into a possibly quite instructive reality.

A Look Before the Leap

THE decision to hold an official inquiry into alleged connections between the People's United Party in the colony of British Honduras and the Communist-infected government of neighbouring Guatemala comes none too soon. The colony is due to hold its first general elections based on adult suffrage in five weeks' time; and the PUP is the only organised party with any influence outside the capital, Belize.

Before the crisis in British Guiana the party's leaders had been advocating withdrawal from the Commonwealth and closer association with the Central American republics,

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but lately their public aspirations have been reduced to a demand for self-government. Unlike their Guianese counterparts, they are not Marxists, but devout Catholics; but their discontents have made them a desirable ally for the Guatemalan government, with its century-old claim to sovereignty over the colony.

Politically, the dangers of Communist domination in British Honduras are not so great as they were in British Guiana, since under the new constitution the People's United Party would have to win eight of the nine elected seats to gain a majority on the Legislative Council, and no formal provision has been made for ministerial responsibility. Nor are the other Latin American states likely to support Guatemala with more than words, for they like its politics as little as they like colonialism. But the threat of Communism could be economically disastrous for this poverty-stricken colony. The forests, which were its chief wealth, have been seriously overcut; and since the war it has been hard hit by the devaluation of sterling. An agricultural development programme is just beginning to make headway, and an International Bank mission is expected in Belize in June. But any major projects must depend on overseas capital, and at present events seem to be moving towards the familiar deadlock in which economic development is difficult without political stability and political stability is elusive without economic development. Whatever the constitutional outcome, Mr Butler and the United Kingdom taxpayer would be wise to treat British Honduras no less generously than British Guiana in the matter of economic aid during the next few years.

Profit from No Profits

LAST week Mr Woodrow Wyatt sprang upon the House of Commons "a Bill to control non-profit-making theatrical companies," and in spite of the lone voice of Mr Silverman (who said he had enjoyed some recent visits to the theatre) was given leave to bring it in. The Finance Act of 1946 laid down that any play produced by a non-profit-making company whose objects and aims are partly educational may be exempt from tax. Mr Wyatt's case was that this provision, intended to encourage the performance of worthy but unprofitable plays, had been used, legitimately but unfortunately, to build up the theatrical empire of Mr Hugh (Binkie) Beaumont.

Mr Beaumont is the principal director of H. M. Tennent Limited, a commercial company, and also of Tennent Productions Ltd., its non-profit-making associate. The latter company, as a condition of its exemption from tax, pays no directors' fees, and any profits it makes must be ploughed back into production. But the commercial company, Mr Wyatt asserted, draws from Tennent Productions management fees of £40 a week on each play—fees which in a year of several non-profit-making productions could probably bring in as much as £10,000. The arrangement also enables the Tennent companies to keep in their employ a galaxy of leading actors and actresses—such as the three knights and a dame now appearing in "A Day By The Sea"—and thus to make good profits for the theatres. Other production managements therefore find it difficult to woo the best performers and the best theatres away from Mr Beaumont's group. This powerful hold Mr Wyatt's Bill seeks to lessen by breaking all ties between non-profit-making companies and commercial concerns.

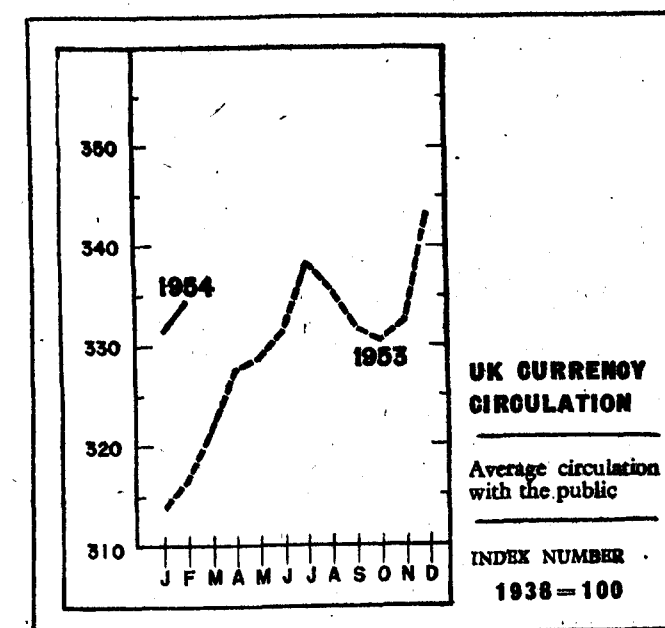
The theatregoer can have little complaint against Mr Beaumont, who has rescued the intellectual play from the makeshift austerity of the little theatre and made it attractive with resplendent productions. But should not the verdict on whether a company's aims and objects are "partly educational" be transferred to some more widely recognised dramatic critics than Her Majesty's Commissioners of Customs and Excise?

Explosives in the Grate

THE story of the proverbial gift horse has always been curiously incomplete. Like the Cheshire cat it was all mouth and no body; and it assumes that a horse must always be an acceptable present. What happens if somebody receives an unwelcome gift of a horse and the animal kicks? Last week the Court of Appeal had to decide. In 1951 a Mr and Mrs John Wilson had ordered coal and received a fragment of explosive—according to the coal merchants as a gift—along with it. They claimed that they were entitled to recompense for the damage caused by the resultant explosion in their grate.

The coal merchants disagreed. They said that under the Sale of Goods Act they contracted only to sell coal of a merchantable quality, and their liability must be limited to the commodity in which they dealt. If, by chance, explosives were included with it they must be in the nature of a gift. This line of reasoning once convinced the Court of Session in Scotland; but it has now failed to carry with it the Court of Appeal in England.

It is no answer, Lord Justice Denning said at the beginning of last week, to explain that there was nothing wrong with the coal as coal; there was a great deal wrong with the consignment. Was there not the famous case of the solicitor who broke a tooth on a stone in a bun? Was not the stone, from the point of view of liability, a part of the bun? The coal merchants must pay. A verdict of common sense? The answer might be contempt of court in Scotland, but perhaps Scottish householders would be well advised to order their coal south of the Border; or is that advice in itself a slight on the economic independence of the Northern Kingdom?



Letters to the Editor

Risks in Germany

SIR—You say in your leading article of March 13th that the projected European Defence community is "a great political experiment in damping down and extinguishing the Franco-German feud, and in building a viable and strong Western Europe." Two years ago you said that it had produced a chain of events—which British policy made no serious attempt to control—resulting in a series of related explosions of political exasperation which had put the French and German Parliaments into diametrically opposed positions.

I think your previous verdict is the correct one. The bitter memories and suspicions to which you refer have not been stirred up by malicious or ignorant individuals, but by the proposal to create not only a European Defence Community but a continental super-state, under German domination. The negotiations over EDC have made the relationship between France and Germany worse, and the division of Western Europe greater, than they have been since the war. How, in these circumstances, can you maintain that a "Little Federation" would contribute to the building of a viable and strong Western Europe? It would further divide that already truncated continent. It would be based on an awareness of mutual suspicions rather than common interests. And it would not provide the Germans with the raw materials, the markets or the outlets for capital investment which they now require.

You write as if there was no alternative to the total acceptance or rejection of EDC in its present form. But there is an alternative. Britain could still assume the leadership of Western Europe, and of a European Defence Organisation which would become an integral part of Nato. Those of us who believe that this is the right course for us to take, and the only way out of the present morass, are more numerous than you seem to think.—Yours faithfully,
House of Commons ROBERT BOOTHBY

SIR—I have tried, in the last few months, to master "the indigestible and complicated treaty" which gives birth to EDC. May I suggest that this complexity is so great, and difficulties of interpretation and reconciliation are so many, that one cannot see how the smooth operation of the treaty will be possible. As it is, it cannot but appear "as a contrivance to rearm the Germans." It will no more lead to a European Union than the Coal Community does so far.

Short of a bicameral European Parliament and a responsible cabinet, entrusted

in simple terms with the legislative and executive tasks of European defence, there is no hope for real integration. Such a scheme would provide "time for experimentation and compromise." It would be possible to take a pragmatic approach—and legislate, step by step, to solve concrete problems.

But this may be too late, or too early.
—Yours faithfully, ROGER PINTO,
Professeur à la Faculté de Droit
University of Lille

Television Aunt

SIR—As you rightly say, the TV Bill gives us the worst of all worlds. Under the government's original proposals we should at least have got the programmes the advertisers wanted; under this Bill we shall get the programmes nobody at all wants—produced by the "programme contractors," tailored to suit the advertisers (nobody can possibly stop this while they supply all the programme contractors' incomes), and then frowned upon, argued about and blue-pencilled by the "Television Aunt."

But why do you assume so confidently that we have only to sit back for an acceptable public-service system to emerge from the chaos? Experience of family relationships suggests that nothing is so precarious as the power and authority of an aunt. As the years pass, nephews assert themselves and aunts decline. So it will be with the programme contractors and the ITA if the opponents of commercialism are content to cling to the ground which they have nobly won (without the slightest help or encouragement from *The Economist*) and relax their pressure.

And why is the claim that the Bill would subsidise advertisers "deliberate nonsense"? The Bill makes provision for up to £10 million to be taken from the general taxpayer. This large sum will take off the shoulders of the programme contractors all the less profitable activities in the scheme—transmission, studio facilities, and even the "balancing" programmes—that is, those programmes of a serious character which the commercial interests will not produce because it does not pay them. In the United States, fairly enough, the advertisers have to foot the bill for all these items. Here, the taxpayer is made to carry the can, so that advertising rates may be lower and/or programme contractors' profits higher.

Note, moreover, that the subsidy comes from the taxpayer, not the licence-holder. Why should those who cannot afford TV sets be forced to pay for the entertainment of those who can? And why should the government tax the BBC £2 million a year from its licence

revenue, and not merely exempt from tax but actually subsidise its commercial rival? Is this fair competition?—Yours faithfully,
CHRISTOPHER MAYHEW
House of Commons

[We disagree with almost every line of this letter—from the first line which congratulates us for "rightly" passing a wrong-headed judgment that we did not in fact perpetrate, to the last line which attacks the Government for a subsidy that (as our article tried to explain) is not in fact being granted.—EDITOR.]

The In-and-Out in Cairo

SIR—Your article of March 6th seems to me seriously misleading in certain parts. In writing that the first influence in restoring Neguib to power was "the mob," you miss the essential fact that there were no disorders such as one associates with a mob, but there was a widespread feeling of sympathy and sadness in Egyptian and foreign circles at Neguib's resignation. This was the first genuine and spontaneous expression of public opinion on an internal matter that modern Egypt has shown and as such is of historic interest. The army leaders concerned in the Cavalry and the Frontier Force were, I believe, conscious of expressing the strong feeling of their families, their friends and of their immediate circles and also, for the first time, those of the man in the Cairo street and in the country village, as well as their own personal and political allegiance. Secondly, in your enumeration towards the end of your article of the achievements of the Neguib regime, you entirely ignore the deposition of the king, the confiscation of all the princes' property and fundamental agrarian and educational reforms. Whatever one may think of their wisdom these are spectacular achievements which do attract public acclaim. Your conclusion seems to advocate the obvious advantages of prolonging dictatorship in Egypt. Surely, however, Great Britain must support responsible, democratic government overseas even when it is fraught with all the problems that beset it in Egypt? Surely also some form of elected assembly is the only proper body which could ratify a new agreement with Great Britain with some hope of a broad basis of continuity, comparable to that given by the group of elder Egyptian statesmen of all parties who signed the Anglo-Egyptian Treaty of 1936?—Yours faithfully,

Cairo

BRITISH RESIDENT

Electronic Abacus

SIR—May I draw your attention to an entry in the Oxford English Dictionary: Computer, bad spelling of computer.

The word is likely to be used a great deal in future, and since I have recently written on computing machines, I would like to lead a campaign for rationalising the spelling of the word computer.—Yours faithfully,

R. V. BOWDEN
College of Technology, Manchester

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(THE JOURNAL OF FINANCE AND CREDITS)

Editors: Erich Achterberg and Volkmar Muthesius

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Books & Publications

Let There Be Chlorella

THE LIMITS OF THE EARTH.

By Fairfield Osborn.

Faber. 175 pages. 12s. 6d.

LET THERE BE BREAD.

By Robert Brittain.

Spalding and Levy. 263 pages. 12s. 6d.

IF there is one game which really rejoices the heart of the technician, it is that of Fool-the-Prophet. This, that, or the other thing, says the Prophet, is manifestly impossible: iron ships will not float; the aeroplane is a militarists' toy; corn will not grow beyond such and such a parallel; and the implications for humanity of these impossibilities are, indirectly, this, that and the other. Then the backroom boys get together, and presently, to a universal shout of "Down you go!", another prophecy is relegated to the historical sottises.

No prophet has been more well and truly fooled than Malthus; and his story is undoubtedly a warning against taking present techniques, present knowledge, and even the present limits of imagination for data as unalterable as the boiling point of water at sea level. Mr Fairfield Osborn and Mr Robert Brittain are both wide awake alike to the present Malthusian danger and to the relevance of technical progress. "The Limits of the Earth" recalls Michael Roberts's "Estate of Man." It is a broad account, continent by continent, of the human heritage—land, minerals, water, forests, power—of the potential and actual income derived from that heritage, of the pace at which it is being eroded and the manner in which it may be maintained; an equally broad presentation of demographic trends; and a discussion of "horizons and mirages"—the promising and the not-so-promising prospects opened up by recent scientific advance. Over the large number of similar books published in the last two decades it has the advantage of up-to-the-minute information, of an easy though over-emotional style, and of an awareness that economic, as apart from technical, problems are genuine and not the product either of imbecility or of villainy. Refreshingly, indeed, there is no villain in Mr Osborn's book—not even the colonial exploiter, not even the religious bigot; there are only people whose eyes need to be opened. "The Limits of the Earth" is not the most authoritative, scholarly and informative work on the subject; but it will awaken and stimulate a class of reader which would never tackle, for instance, Dr Dudley Stamp's "Our Undeveloped World."

The author of "Let There Be Bread" could perhaps be described, unkindly, by a quotation from Mr Osborn: "the inveterate laboratory optimist who, disregarding all economic and social ramifications, airily leaps the gulf between the test tube and the realities of mass production." His book has all the charm of science fiction; it is enormous fun; and it is, of course, perfectly possible that advance on one, or another, or a combination, of the technical frontiers which he describes may in due course make today's neo-Malthusians look as silly as Malthus did in, say, 1880.

That "rather nauseating slime" the alga Chlorella Pyrenoidosa, for instance, has properties and potentialities as a source of proteins, fats and carbohydrates which might, if exploited, increase the earth's carrying capacity as much as did the primeval transition from hunting to agriculture. The artificial oases, reforestation schemes, techniques of dew exploitation and of ion exchange, now in the pilot-plant stage on the desert fringes of the Middle East and North Africa, may point to an entirely new assessment of what constitutes arable acreage. Perhaps the Amazon is a frontier as promising as the prairies. Perhaps even the Arctic—but no; the enthusiasm with which Mr Brittain describes the technique of raising fruit trees and field crops in the Yamal Peninsula and similar places (including the Dali-esque technique of fur-lined hot houses) fails to carry over to the reader. Perhaps the bugs will be worked out of thermal exchange before coal, oil and uranium give out; perhaps the mineral resources of the sea will replace, in time, the exhausted ores of the land.

But none of these possibilities shows, as yet, the least sign of crossing "the gulf between the test tube and the realities of mass production." Even at the purely technical level they are about as relevant to today's and tomorrow's hunger as the blueprint of a jet fighter would have been to the RAF in 1940. Economically, socially and politically they encounter precisely those obstacles which now prevent the hungrier peoples from using known and proven techniques to feed themselves adequately, from migrating to the lands of surplus, or from keeping their own natural increase within reasonable bounds. It is in overcoming these obstacles, rather than in turning Alaska into a breadbasket for the further accumulation of surpluses, that the best hope lies of fooling the prophets once again.

Anatomy of Courage

REACH FOR THE SKY: *The Story of Douglas Bader, DSO, DFC.*

By Paul Brickhill.

Collins. 384 pages. 16s.

MR BRICKHILL has written a vivid, racy and moving book. In undertaking the life story of Douglas Bader, he has chosen a subject that admirably suits his style and gifts, and one moreover that he is exceptionally well qualified to handle, for, like Bader himself, he was both a fighter pilot and a prisoner of war. Few biographers can have succeeded in laying themselves so closely alongside their subjects; few men alive today can have been taken apart quite so thoroughly as Bader. Yet the "domineering, dogmatic, breezy" nature of the man enables him to survive this ordeal—as he has all others—with flying colours.

Mr Brickhill gives us glimpses of the "gritty and indestructible" small boy fighting his way through prep school (and carving his name on the headmaster's prize marrow for a "dare"); of the "sort of god" who shone at every game both at public school and at Cranwell; of a young man who at 22 was already one of the finest aerobatic pilots in the RAF and was standing on the threshold of International rugby. Then, suddenly and overwhelmingly, the crash—senseless, unnecessary, the result of just one "dare" too many. Words spoken by a nurse outside his hospital room—"There's a boy dying in there"—filtered through to Bader as he lay in a not unpleasant haze of semi-consciousness. To him they acted as a challenge, and one that he instantly accepted. His triumphant struggle to walk again on two tin legs is told simply and directly, without sentimentality, but with a very real understanding of the immense mental and physical strain involved. And here, as elsewhere throughout the book, the reader will suddenly find himself caught by a vivid and telling phrase—as for example Mr Brickhill's description of Bader "waggling his toes in his mind," a delightfully precise description of a sensation familiar enough to everyone with bits missing.

The story of Bader's return to the RAF and of his astonishing career as a fighter pilot and pre-eminent leader of the "few" is known in outline to most people; as a former chief of Fighter Command has said, it constitutes "an example which as the years roll on will become a legend." It is a story to which Mr Brickhill does full and exciting justice as he does also to Bader's subsequent experiences as a prisoner of war. For those who like their action hot and strong, this book will be thoroughly satisfying. Beside it, Dan Dare and Rupert of Hentzau fade into the merest amateurs of adventure. But, great as were Bader's wartime achievements, they are nevertheless only an aspect of that steady and enduring courage that enables him, in daily cold war, to convert crippling adversity into a 4 handicap at golf, a game of squash, or a job that takes

him constantly all over the world. His genius for war, whether hot or cold, amounts to an infinite capacity for not knowing when he is beaten; and the force of his example is and will continue to be a valuable means of saving many of his fellow men from despair—provided of course that it is not rammed down their throats by kind relatives with more limbs than sense. To everyone interested in the anatomy of human courage this excellent book can be most heartily recommended.

Antipodean Paradise?

ECONOMIC STABILITY IN NEW ZEALAND.

Edited by R. S. Parker.
New Zealand Institute of Public Administration, Wellington. 146 pages. 13s. 6d.

"THE . . . unwillingness to abandon the attempt to achieve a stability which is general and absolute goes some way towards explaining why New Zealand maintains a higher degree of economic control than almost any other western democracy." The comment is from Mr L. C. Webb's contribution to this collection of papers on the problems of maintaining economic stability which were delivered by university economists and civil servants at the 1953 convention of the New Zealand Institute of Public Administration. They are all informative and reasonably lucid and one of them, Mr Webb's "The Making of Economic Policy," should be of general interest.

Among the doubtfully compatible aims suggested by "stability," public opinion in New Zealand ensures that priority is given to full employment. As Mr Webb says, "stability of prices, wages, and returns to primary producers has implied little more than a process of equitable upward adjustment." These papers generally assume that the electorate would not regard "full employment" as permitting the small margin of unemployment necessary to avert competition for labour and consequent inflation. This belief derives added force from recent electoral trends in Australia. Mr G. J. Schmitt points out that one of its consequences would seem to be that

Irrespective of whether or not we have sufficient overseas funds available to pay for all the imports that the community wants to buy at any time, Government must keep the supply below the demand so as to maintain excessive demand internally.

Mr Schmitt (a Treasury official) later indicates that he himself has some doubts about this reasoning. Although the general view is that "excessive demand" must be protected by import control, he is inclined to believe that regulation of the exchange rate and tariff would achieve the same object by keeping the cost of the locally produced article below that of the imported.

Professor H. Belshaw argues for a balance between security and growth. He compares the ideal state of stability

to a serpentless and appleless Eden and, though he is far from suggesting that New Zealand is any such immobile paradise, his comment on the ideal may have some bearing on the approximation that has been attained there—"There is clearly a lot on the credit side and we feel awfully safe; but we are also frightfully bored."

An Engineer's Approach to Economics

THE MECHANISM OF ECONOMIC SYSTEMS.

By Arnold Tustin.
Heinemann. 161 pages. 25s.

MR TUSTIN, professor of electrical engineering at Birmingham University, has written a very important book. Ever since the publication of Wiener's "Cybernetics," economists, in discussing "built-in stability," have been trying to profit by the knowledge of engineers. That they have not been spectacularly successful is due partly to the difficulties inherent in the study of economic behaviour and partly to the fact that texts dealing with control mechanisms are inevitably written in the terms of electrical engineers. Thus the economist is confronted by the two-fold task of understanding engineering as well as the particular mathematics used by control engineers.

In this book Mr Tustin deserves gratitude for enabling the economist to acquire the general techniques without becoming an engineer into the bargain. His book is mercifully free from jargon. This, however, is not to say that it is an easy book; very few equally rewarding books are easy to read, and to reap anything like the full benefit from current ideas the reader will need patience and hard work. Mathematically, the book is largely self-contained for those who are moderately familiar with trigonometric functions and certain parts of advanced calculus. Additional help is provided by an adequate bibliography. The economist wishing to specialise in this field will probably find the time needed for working through it well spent. For him the most important chapters will be those dealing with "the engineer's approach to system behaviour" and "models required for economic prediction and regulation."

The general reader will absorb some of the current ideas on stability and control. It will show him how much more there can be in economic dynamics than is commonly thought, that simple statements about the stability of given systems are inadequate and, perhaps even more important, that the magnitude of a correction required (such as "pump-priming" for which the author would substitute "exciting the dynamo") may be very small in relation to the other quantities involved—provided the timing is right. Two points merit emphasis: one is the fact that, in spite of the growing literature on dynamics, location, etc., economists

have preferred to deal in almost any dimensions rather than time and space. The other is the engineer's emphasis on "what should we do in order to . . ." which the economic theoretician is in danger of forgetting. "Control" is at present a bad word; yet the idea of automatic equilibrium is inherent in both theory and practice while recent developments have made it clear that it would be a very lucky accident if an economy were capable of coping with disturbances through its own inherent forces.

It is still a moot point, however, whether analogues can be more than suggestive analogies. Mr Tustin recognises only some of the difficulties when dealing with economic issues proper. Here he is somewhat naive (for instance, in his discussion of expectations) and his exposition, lucid and workmanlike on technical topics, borrows too much from the "economese." One special topic that deserves inclusion in the next edition is that of inventory control, an important practical problem to which economists are beginning to pay attention.

In spite of these blemishes, Mr Tustin has succeeded in what he set out to do—making new ideas accessible to students of another discipline.

Portrait of a Colony

SIERRA LEONE: A Modern Portrait.

By Roy Lewis.
Her Majesty's Stationery Office. 272 pages. 25s.

WITHIN his terms of reference Mr Roy Lewis has written a magnificent book on the people and problems of Sierra Leone. It is one of a series on the British dependent territories, published officially, and designed to present a balanced picture of each area, filling the gap between travellers' chit-chat and official statistics. Mr Lewis could not have carried out his mandate better. With some remarkable photographs, the result is a first-class piece of public relations.

Occasionally, it is true, in his sympathy with the people he is describing, Mr Lewis becomes almost more African than Africa. As he says, "The dea dea sings its kroo kroo note," and this perhaps too often. His anthropology may sometimes become folklore, and he describes the past rather than the future. Occasionally too, the economist in him makes a rather awkward landing from a minor flight of fancy. "The sun goes down in a chiaroscuro of scarlet and madder and rose, innumerable swamps lace the hollows and will grow rice excellently." Two chapters giving the reconstructed life histories of little boy Borboh and little girl Mariama could have been omitted. They may remind those learned in African literature of the intrepid explorer Angus Buchanan, who when writing up his desert experiences in his book "Sahara" inserted a chapter ostensibly written by a camel.

But these are trivial criticisms of a book which makes an honest attempt to understand and analyse a section of African life and is not just another study of Britain in Africa. It is distinguished by a truly imaginative insight into the two major tragedies of Sierra Leone. Caught up by history, the Creoles of Freetown with all their supposed advantages of education and their English connections are being submerged by rising tides of tribesmen from the hinterland. The friends of Britain feel deserted and betrayed, as they find that democracy means the loss of their privileges; unable to impose their leadership, they blame Britain for depriving them of it. Secondly, the entire country—the size of Ireland, as Mr Lewis reminds us—is faced with the problem of how to eat and export without exhausting the land. Sierra Leone has often seemed a tragi-comedy of good intentions. There is more than a century of sad experience between the idealism which freed the slaves and brought the colony into being, and Mr Graham Greene's "The Heart of the Matter." But the administrators, the agriculturalists, the engineers, the teachers, of today are not really very far from the Wilberforce tradition.

Psychology Pruned

USES AND ABUSES OF PSYCHOLOGY

By H. J. Eysenck.
Penguin Books. 318 pages. 2s. 6d.

WHAT is psychology? In 1890, in his classical textbook, William James defined it as "the science of mental life, both its phenomena and its conditions." Thirty years later his eminent admirer, McDougall, pronounced the narrower definition "the positive and empirical science of the human mind." Dr Eysenck restricts it further—"a psychologist is concerned with the scientific study of human behaviour." Although he is by no means a behaviourist the trend is clear. Only such behaviour as can be measured is, he implies, the proper subject-matter of psychology as a natural science. All the rest of human experience, subjective or communicated, must remain outside the scope of this science as so defined; but as new methods of study become available the field of science enlarges.

Much of this book consists therefore of a description of the new measuring rods which have been invented to analyse human behaviour, of what exactly they measure and of how reliably they do so.

"Tests" sound a dry subject, but it is surprising how many of the topics the author discusses have lately been in the public eye: tests of intelligence and the selection of school children for grammar school education; the alleged decline in national intelligence because of differential fertility; selection boards for officers and civil servants; vocational guidance and selection for jobs; incentives; the reliability and validity of examinations and interviews; public opinion polls and sampling techniques;

the results of treatment of various kinds for nervous and mental disorders.

It is all very well done. Dr Eysenck's standards are rigorous and his criticism pungent, and he has a lively style which makes the book easy to read. Certain aspects of the "country house" technique of assessing character receive a drubbing, and he pours scorn on the unvalidated speculations of some of Freud's followers, particularly in the field of what is called cultural anthropology. The virtues of applying the method of scientific experiment are illustrated in each topic he deals with and he describes its present limitations. His purpose in showing up unwarranted inference and slipshod method is clear: it is to protect the rather slender stem of his science from too great a weight of attractive but rotten fruit.

Foreign Economic Affairs

INTERNATIONAL ECONOMICS.

By Charles P. Kindleberger.
Richard D. Irwin, Inc., Homewood, Illinois. 563 pages. \$8.00.

THIS book is an undergraduate textbook covering the whole field of international economics. Part I concentrates mainly on foreign exchange markets. Part II gives the core of the theory of international values and the inter-relation of national economies through foreign trade. Part III deals with short-term and long-term capital movements between countries. Part IV gives some discussion of the dynamics of the international system, with chapters on cyclical and secular disequilibria in the balance of payments.

The author's vivacity and independence of mind will help to hold the student's attention. Many features commend themselves. The clear emphasis placed on the fundamental role played by the allocation of resources is a great merit in the chapters dealing with the pure theory of international values. Two short chapters on the development of under-developed countries contain a better analysis and more stimulating ideas than many more pretentious works on this topic. Students will doubtless find useful the reading references given for every chapter, although these are strictly limited. On the subject of the "transfer problem" a reference to Mantoux's "Carthaginian Peace" would surely have been in place.

Professor Kindleberger indicates in the preface that the book is based on his notes for courses given to undergraduates. This doubtless makes his subject come more alive; but it appears to have led to a somewhat casual and even colloquial form of exposition which may leave the reader confused about the meaning and proof of the propositions advanced. For example, in tackling the famous knotty problem of explaining the famous "factor price equalisation" proposition in international trade theory, the author makes no reference to the basic assumption regarding the forms of the technical

production functions; yet without this assumption the proposition does not apply. Professor Kindleberger has a great belief in the value of geometry in the teaching of economics. Although this view is shared by others, at times the idea seems to be pushed so far that the student may believe that economics is geometry; and there are some comparatively simple subjects (such as that of quotas) which appear to have been rendered more difficult by their presentation through this medium.

The author is certainly not alone in suggesting that customs unions between "similar economies" are more likely to bring benefit than those between complementary ones. The prevailing confusion on this point is partly verbal; but it is partly a real confusion of thought which, it is to be feared, may be further propagated by some of the passages in the book under review. Professor Kindleberger himself seems at some points to be aware of the limits to the gain that can be derived from trade between similar economies all lacking the same essential materials ("Europe cannot lift itself by its own boot straps"). As regards the important practical implications of this point, it would perhaps have contributed towards a balanced view if the discussion on European co-operation had been supplemented by some consideration of other regional groupings such as the British Commonwealth and Nato.

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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.

Duty of an Opposition

Washington, DC

THIS is a critical year for the Democratic party. Even the slightest setback at the election in November, in which all the seats in the House of Representatives and thirty-five out of the ninety-six in the Senate will be at stake, would be serious. Such a reversal of the normal rule that the party in office loses ground in an election in which the Presidency is not directly involved would ruin the Democrats' claim that they are still the "natural majority" and that the result in 1952 was a "temporary aberration." On the other hand, even the slightest confirmation of that rule will give the Democrats responsibility for running Congress during the latter half of Mr Eisenhower's Presidency, a triumph that some of the more unenterprising of the party's leaders would rather do without. They have not forgotten the use Mr Truman made in 1948 of the Republican control of the legislature; this enabled the President to campaign, with signal success, against a "do-nothing" Congress.

The Democrats' chief concern at the moment is to maintain an appearance of unity, which means that on many issues they must remain relatively quiet. Fortunately for them, the chief issue concerning Negro rights, racial segregation in elementary schools, is still before the Supreme Court rather than before Congress. Moreover, the dispute over who should benefit from off-shore oil reserves, the nation or a handful of lucky states, has also been in a judicial stage. Not a word was breathed about either of these controversial questions, which divide the northern liberals from the southern conservatives, when a party rally was held recently at Miami. Instead, emphasis was laid on the economic issues on which Democrats feel themselves to be at one in opposing the policies of the Administration.

On one such issue—that of resorting to deficit financing in order to fight off a depression—the New Dealers have found an impeccably conservative spokesman in the person of Mr George, the stately Senator from Georgia. Senator George, whose defeat Mr Roosevelt once tried to engineer because of his opposition to the New Deal, is leading the battle for an increase in the amount of personal income exempt from tax, from \$600 to \$800 this year and to \$1,000 next year. This is a direct challenge to the Republican Administration's theory that concessions made to business in depreciation allowances and to shareholders over the taxation of dividends will "trickle down" to the consumer by way of increased capital expenditures and hence more employment. Moreover, the Administration's attack on high rigid supports for agricultural prices and its recurrent snip-

ing at public electricity projects, which offer special advantages to rural co-operatives, provide issues on which both wings of the party can join forces.

At Miami the Democrats were able to display not merely the semblance of a policy but the personality of a leader. The only trouble was that the leader did not refer to the policy, nor did the policy-makers show much enthusiasm for the tactics of the leader. While Senator Russell and Senator Lyndon Johnson made it clear that they wanted the party to concentrate on economic problems, Mr Adlai Stevenson ignored these in favour of a critical examination of Mr Dulles's definition of the "New Look" in foreign policy and defence and a firm intervention in the current dispute between Senator McCarthy and the Administration. Although he holds no public office, Mr Stevenson has been shown by public opinion polls to be still by far the most popular Democrat. Last time he was genuinely conscripted as candidate against his wishes; there is little doubt that in 1956 he will actively seek the nomination. But he will not get it without a fight for, despite the lead he at present holds, other names, particularly that of Senator Symington of Missouri, a former Secretary of the Air Force, are already being canvassed.

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The main difference between Mr Stevenson, supported by Mr Mitchell, his nominee as chairman of the party's National Committee, and the southern Senators arises over the attitude to be adopted towards President Eisenhower. The Democratic leaders in Congress argue that the Republican party should be left to destroy itself by its internal feuds without comment from the outside, and that Mr Eisenhower's personal popularity is still so great that it would be a mistake to pin personal responsibility on to him for the policy of his advisers and for his own failure to assert his will. Mr Stevenson, on the other hand, thinks it is unworthy of a great party to remain silent on a major national issue, such as McCarthyism, and that the time has passed when the President should remain immune from criticism.

These differences in tactics reflect, to a certain extent, the differences between the battles which Mr Stevenson and the Senators will have to fight. Mr Stevenson is inevitably thinking of 1956, when in all probability he will have to fight Mr Eisenhower again, while those Senators who have to seek re-election this year are thinking of next November or, in the case of the Southerners, of next May. Owing to the dismal failure of the Republicans to follow up Mr

Eisenhower's successes in the South, the one party system still largely prevails in that region, with the result that the primary elections, in which the Democrats choose their candidates, provide the decisive arena of conflict.

The extreme example of a man with a local preoccupation is Senator Lyndon Johnson of Texas, on whom, as minority leader, any concerted party action in the Senate largely depends. Six years ago he scraped through the primary with a majority of 87 votes and with the help of a political machine which Mr Shivers, the Governor of the state, is now proceeding to destroy. Mr Shivers himself and most of the Democratic officials in the state are firm supporters of Mr Eisenhower, and Mr Shivers has specially distinguished himself by advocating the death penalty for membership of the Communist party. In the circumstances it is not surprising that Mr Johnson has been opposed to any firm Democratic stand on the subject of McCarthyism and to any frontal attack on the President.

Indeed, to avoid trouble, Senator Johnson, until a few days ago, had not even called a meeting of the caucus, which concerns congressional action on issues that are to be fought on party lines. Even then the agenda was characteristically confined to two subjects: full support was to be given to a fellow Democrat in trouble—Senator Chavez, whom a Senate subcommittee wants to unseat because of electoral irregularities in New Mexico—and all Democrats were to vote in favour of linking the Bills to give statehood to Hawaii and Alaska, even though some would do so because they wanted both Bills to pass and others because they wanted both Bills to fail. This is a time when Democratic fences are being energetically mended by Senator Kefauver in Tennessee, by Senator Douglas in Illinois, and by Senator Humphrey in Minnesota, as well as in Texas and elsewhere, and when local considerations take first place in the thoughts of many in the party. The basic causes of Democratic division has not disappeared with the end of Democratic rule. But until November they are likely to be soft-pedalled by mutual consent.

Lone Star Fanatics

FROM A SPECIAL CORRESPONDENT

TEXAS millionaires are familiar, and colourful, phenomena with fortunes built on oil and on the special tax allowances for depletion of underground resources which leave them with more spending money than most millionaires have nowadays. As long as they amuse themselves by buying Cadillacs, colleges and an occasional piece of a legislator, their activities are of little serious concern, but recently a small group of them has been trying to influence national opinion in a way that brings these Texas millions to bear not only on the whole United States, but indirectly perhaps on the whole world. For in American political life a point of view fuelled by an almost inexhaustible supply of money and geared efficiently into the system of mass communications can develop power out of all proportion to its validity or to the intellectual and numerical strength of those who originally sponsored it. And the strength of those who originally sponsored it. And the peculiarly Texan point of view which is now being spread all over the country is a nationalist one—indeed, an ultra-nationalist one, as might be expected from a state famous for exaggeration in all things.

Not all Texas millionaires are so narrow-minded or so at odds with the world, but unfortunately it takes only a few to do a great deal for isolationism, xenophobia and reaction. How it is being done, by use of the airwaves and the other media of propaganda and by pouring money into political campaigns for favoured candidates, has recently been shown by two careful studies of the golden Texas patriots carried out by the *Providence Journal* and the *Washington Post*.

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The *Journal* concentrated on Mr H. L. Hunt, one of the richest men in the United States and a specialist in spreading his opinion by mass communication. His pet hobby is Facts Forum, now nearly three years old. This organisation, tax exempt as a non-profit-making educational institution ostensibly promoting impartial discussion, and entitled to free time on the air as a non-partisan public service project, takes its name from one of the four weekly wireless and television programmes which are put out over hundreds of stations. But it also disseminates Mr Hunt's thinking in a monthly newsletter which goes to 60,000 people, in discussion groups with 125,000 members, by freely circulating books which suit Mr Hunt's political taste, by encouraging writers of letters to the press, and by conducting polls with questions as weighted as the discussion programmes often are.

The *Washington Post* studied three other Texans as well as Mr Hunt—Mr Sid Richardson, Mr Clint Murchison and Mr Hugh R. Cullen. The last-named is a specialist in political intervention by direct financial means. It should be noted in passing that no public record shows any unusually large amount of money coming to Senator McCarthy from Texas. His stated campaign expenses are not great and his other activities are financed by smallish contributions from Americans everywhere. But in 1952 Mr Cullen scattered about \$50,000 over the country in contributions to campaign funds. His money went into the presidential fight and into various Senate and House contests. He supported men on the far right of both parties; not all his entries were successful—General MacArthur did not win the Republican presidential nomination—but the record was not bad. It was Mr Murchison and his wife who in 1950 had contributed \$10,000 to help beat Mr McCarthy's enemy, Senator Tydings, in Maryland. This notorious success immeasurably fostered the growth of McCarthyism; after that other politicians panicked when Mr McCarthy frowned. Surprisingly Mr Murchison is an internationalist, yet he was a generous patron of McCarthyism again in 1952.

There are now enough beneficiaries of this Texas political force in Congress to exercise an influence on the legislative programme which is the greater while both House and Senate are as evenly balanced as they are at present. Because of this even balance and because the Republican party is feeling its way through a miasma of McCarthyism, this political force may also be able to exercise a decisive influence on the choosing of the members of the next Congress. In the coming election, ideas like Mr Hunt's and money like Mr Cullen's will presumably pour into campaigns against liberal Democrats and into Republican primary contests where there is a chance of advancing reactionary candidates at the expense of moderates. One of the places to be watched most keenly is Maine, where the Republican Senator, Mrs Margaret Chase Smith, is seeking renomination. She initiated the anti-McCarthy "declara-

tion of conscience" in 1950, still the most forthright and courageous manifesto by anyone in her party.

It is its strategic application that makes the influence of these Texans and their money so incalculable. For example, the Democratic leader of the Senate, Mr Lyndon Johnson, is a Texan, facing an election this year, and Washington believes that his militancy in leading a liberal and international opposition is weakened by pressures from home. It is significant that he was absent from the Democratic fight against the confirmation of Mr Robert E. Lee to membership of the Federal Communications Commission, which regulates broadcasting. Mr Lee is a friend of Mr McCarthy and once worked for Facts Forum, as did Mr McCarthy's wife. If another Texan, Senator Tom Connally, then chairman of the Senate Foreign Relations Committee, had sought to run in 1952 he would have been fighting isolationist money. After attempting to change his internationalist spots, something which could not be done successfully in public, he chose to retire. The new Texas influence chalked up a victory by default.

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The point of view with which these Texans are infecting public opinion is worse than McCarthyism. It is McCarthyism with a fear-ridden penumbra of negation, prejudice and compulsory conformity on many issues which the Senator himself touches only incidentally, if at all. From Facts Forum and other literature of the movement, the elements of the creed can clearly be seen. These Texans are convinced that the ascendancy of Soviet power was plotted in Washington during the Roosevelt and Truman Administrations and that the Korean war was a deliberate Democratic betrayal of American fighting men. They oppose the United Nations and believe that all liberals are promoting collectivism in the United States and that the channels of information and education are controlled by the left. Advocates of freer immigration are considered to be aiming at the adulteration of the American electorate by Socialist hordes from eastern Europe. The New and Fair Deals are damned comprehensively as unconstitutional and subversive, and as having fixed an alien philosophy on America. Intellectuals are dangerous and anti-McCarthyites shield spies.

Mr Hunt sincerely believes that a struggle is in progress in the United States between the extremes of right and left. For him and his friends the stake in the battle is not political power, sought for specific purposes or even for absolute satisfactions, but political influence apparently without any positive aim except, perhaps, to checkmate and extinguish an opposing political force. These men hoped for a Republican President and Congress in order to keep the undersea oil-bearing lands out of federal control, but apart from that they betray remarkably little self-interest in their political activity. In American folklore, the robber barons acquired Senators and Congressmen to protect their railways, their industries, their tariffs. But the Texan oil kings do not seem anxious to impose even their negative philosophy on others. All that they desire passionately is that others should not impose a positive philosophy on them or, if they can prevent it, on any American. These millionaires from the Lone Star state want only to shine in a political sky clear of all constructive ideas.

Such reactionary anarchy could never become a practical programme for either party but it could set up an effective obstacle to any programme either party might advance.

Held widely enough these frustrating attitudes could produce something very close to political paralysis. As awareness of the menace from Texas grows, attempts to expose and undermine it are growing too, in Texas and elsewhere. But nowhere is there yet visible a counter-movement even nearly as well-equipped with money, as shrewdly led, as determined or, most important, as fanatical as this assault on the mind of the public which has given a new significance to the Texas millionaire—or to a few of them at least.

American Notes

Warming Up at Caracas

MR DULLES left the atmosphere at Caracas warmer than he found it, nor because he put heat on the delegates to the tenth Inter-American Conference—which would probably have burned up all their friendly feelings toward the United States—but because his tactful and understanding readiness to make concessions spread a glow through the meeting. This warmth may not survive the detailed negotiations that are to come, but meanwhile the anti-Communist resolution on which the United States set such store has been passed more satisfactorily than at first seemed possible, with only Guatemala voting against it and Mexico and Argentina abstaining. It is not clear, however, whether this is the happy outcome of the changes which the United States accepted in the wording of the resolution itself, or of the hopes fostered by Mr Dulles of more sympathetic economic treatment once the hemisphere had made a contribution to the cold war.

The resolution declares that if the international Communist movement came into control of any American State, it would be a threat to the independence of all of them. It thus applies the Monroe doctrine to the modern method of attacking a continent by Communist infiltration, as well as to the nineteenth century method of doing it by establishing colonies. The main objection to the resolution, that it would authorise the United States to interfere in the internal affairs of its neighbours, was met by an amendment affirming the right of each American State to choose its own form of government; and Mr Dulles carefully refrained from pointing at Guatemala, even though everyone knew that the Communist influence there (discussed in an article on page 874) is stronger than is comfortable so close to the Panama Canal.

If an attempt is made to implement this rather vague promise of collective action, the difficulties may begin, just as they may begin in another sphere when economic discussions start in the autumn. Nevertheless the unexpected invitation from the United States for this later conference to meet in Washington went far to convince the delegates that the Republican Administration was more ready than had been realised to consider Latin America's economic difficulties. By the autumn, Congress must have removed at least the more immediate of the uncertainties about foreign trade policy and the Administration will know better what it can offer. In the meantime, in a field where Congress does not have to be consulted, Mr Dulles has

won an advantage, how extensive is not yet known, over the Treasury. He was able to announce that the Export-Import Bank was once more prepared to consider the long-term loans for development purposes that Latin Americans want and that almost ceased during 1953. Moreover, Congress is in the process of encouraging, by tax concessions, the private investment abroad which the Administration prefers, and the Latin American countries have been invited to negotiate bilateral tax treaties which would minimise double taxation and thus speed the flow of private American capital still more.

Investigating McCarthy

AFTER an attempt to avoid biting the hand that has fed it, the Senate's Permanent Investigating Sub-committee has been forced by the Republican leaders in Congress to investigate, with full publicity, its own chairman, Senator McCarthy. The unjudicial methods that he has made notorious will be turned to his advantage, for he will serve both as witness and as prosecutor, but at least he will not be judge. Senator Mundt is to act as temporary chairman, and a new staff is to be engaged specially for this inquiry. This could hardly be avoided since the charge to be investigated is that Mr Cohn, the committee's counsel, has been bringing pressure to bear on the Army, with Senator McCarthy's connivance, by threatening to investi-

gate it to the point of disruption unless special privileges are given to Mr Cohn's colleague, Mr Schine, who was conscripted late last year.

It might seem that this charge, and even more Mr McCarthy's counter-charge, that the Army tried to divert his attention to the rival services, might more suitably be investigated by the Armed Services Committee. But its chairman, Senator Saltonstall, much as he would enjoy making Mr McCarthy uncomfortable, hesitates to do so because he is running for re-election this year in Massachusetts, where many Catholic voters are sympathetic to McCarthyism. He was undoubtedly relieved that the right of congressional committees to regulate themselves, which is so frequently insisted upon, made it imperative that the Investigating Sub-committee should itself deal with its chairman and counsel. Mr Saltonstall's committee can, however, hardly avoid giving some consideration to the serious damage which these reciprocal accusations of blackmail are doing to the morale of the Army.

It is this damage, and the President's inability any longer to suppress his indignation at such attacks on his own service and his official family, that explain in part why the right of Senator McCarthy to conduct his inquiries as only he sees fit is at last being challenged. But the investigation of the Senator is also being pressed, rather ominously with his own co-operation, because unless the Army's charges against him are answered he will become, as even his friends agree, a liability rather than an asset to the Republican party next November. For the mothers of America are one of the groups of voters who are supposed to be attracted by McCarthyism, but few mothers of American soldiers will

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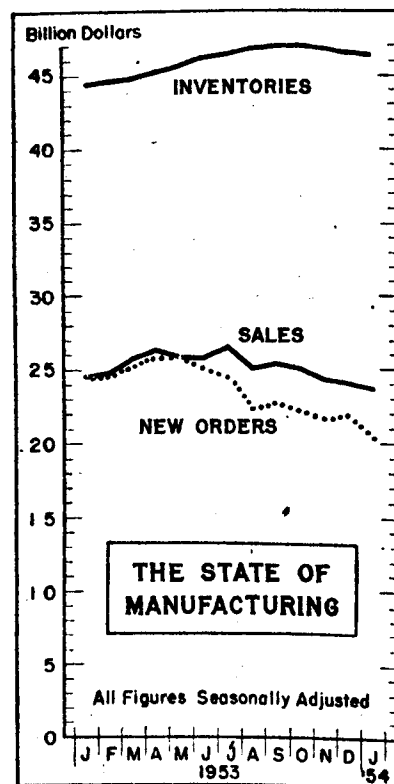
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be attracted by a man who tried to get his protégé excused from overseas duty and commissioned out of turn. Nevertheless, even though vigour has now been put into the weakly growth of Republican resistance to Mr McCarthy—one of its offshoots was the Vice-President's broadcast last Saturday—there is still time for the case against the Senator to be settled out of court, if both he and the Army can be induced to let themselves be appeased.

Recession Still Rolling

THE President's insistence, in his broadcast, that no depression exists and that therefore there is no case for further tax reductions at this time shows that the Administration is determined not to be stampeded by the continued decline in industrial production in February and the consequent rise in unemployment. Indeed, in the view of Mr Burns, head of the Council of Economic Advisers, the fact that production is lagging behind sales and that inventories are being reduced is a sign that the economy will work itself out of its recession, if only Americans keep on buying. Total business inventories, seasonally adjusted, have already fallen from \$82 billion in September to \$80.7



decide how to deal with the economy on the basis of the March figures. These will not be available until April, but many economists would like to see the trend in April and May before making up their minds.

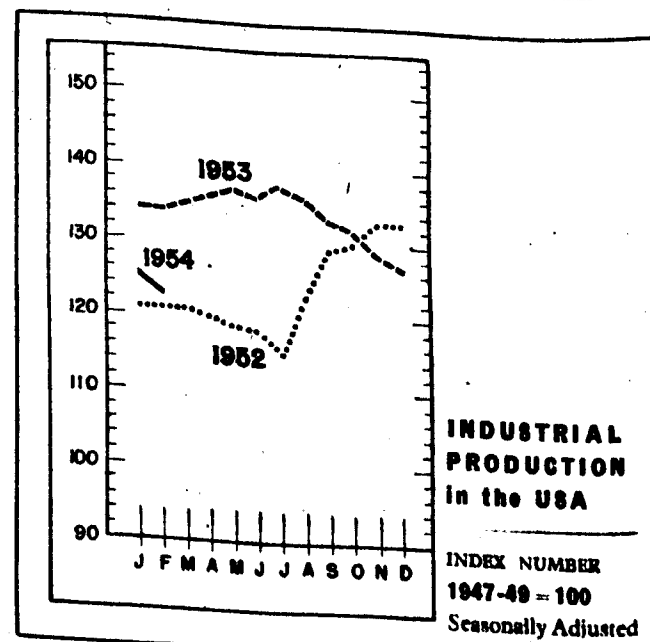
The figure to which the President particularly referred was that of unemployment, but when April comes it may not be easy to assess. The new estimates of the Census Bureau, which are based on a sample which includes new industries and gives a wider geographical coverage, continue to differ embarrassingly from the old. In January the new

sample suggested that unemployment was 728,000 higher than expected; in February, the new method showed an increase of 584,000, the old of over a million. The totals for that month—3,600,000 for the new estimates, 3,385,000 for the old—are now not very far apart, but the decision of the Administration to withhold them both for ten days while a panel of experts checked them shows that it is conscious that such divergences cast doubt on its most vital statistical series. One of the immediate tasks of the Administration is to introduce order and meaning into its unemployment figures.

The Secretary of Labour, nevertheless, has confidence that the rate of decline in factory employment is slowing, and in this he is supported by reports that new claims for unemployment insurance in the states are lower than they were in January and February. Moreover, unemployment, however calculated, is still substantially below the 4.7 million reached in February, 1950, when the labour force was smaller. The encouragement provided to those who believe that purchasing power and sales will continue to hold up would be greater if consumer credit outstanding had not fallen, in January, for the first time in almost two years. The Federal Reserve Bank of Chicago estimates that consumers are paying out 11 per cent of their income after taxes on hire purchase, and finds them reluctant to add to this burden.

Whose Tax Relief?

THE House voted overwhelmingly last week for cuts in federal sales taxes, with only three members opposed to 411 in favour; and while *The Economist* is in the press the Democrats in the House may have carried their motion to graft an increase in the amount of personal income exempted from tax onto the monumental tax revision Bill. It was to stem this tide that the President spoke on Monday night, a cruel piece of mistiming, for the last harried citizens were still filling out their returns for this year.



The President's main point was that it would be irresponsible to plunge even more deeply into deficit financing in a time of relative prosperity; the most modest Democratic proposal would add \$2.3 billion a year to a deficit already estimated at just under \$4 billion for the fiscal year beginning in July and would excuse over 4 million taxpayers from paying any federal income taxes. But the Democrats' suggestion of recouping some of this loss by striking out provisions to relieve the double taxation on dividend income also strikes at the heart of Republican tax philosophy. The Bill in question represents the first redrafting of the federal tax laws in over eighty years and even its critics admit that much is done in its 875 pages to simplify and modernise the antiquated and obscure. It embodies, with only two exceptions, the tax proposals of the Administration, as well as a good deal more. Its aim—aside from closing a few notorious loopholes, and providing some tax relief for hard-pressed groups, such as those living on small retirement incomes, working mothers with small children, those with catastrophic medical expenses, and single heads of households, who cannot now claim the income-splitting privileges enjoyed by married couples—is to create a more favourable climate for business and thus encourage expansion and initiative. Business losses, for example, could be carried back two years, instead of one; the government, instead of the taxpayer, would have to bear the burden of proof in determining whether retained profits were excessive; tax deductions for money spent on research would be permitted either in the year the money was spent or over a longer period. To encourage development in backward countries income from investment abroad would be more liberally treated and taxed at a lower rate than domestic income. Corporations undergoing reorganisation would be given more favourable tax conditions; so would trusts and estates.

The most important provisions, however, are those allowing assets—machines, buildings, and so forth—to be depreciated more rapidly, and the concessions made to shareholders to lighten the double taxation of dividends. Together these are estimated to cost over \$600 million in the first year, nearly half the whole cost of the Bill, and much more in later years; their justification is the stimulus that will be given to modernisation and expansion and the provision of risk capital.

Price of Admission

THE prospects of making Hawaii the 49th state this year are once more receding. The Democrats in the Senate have succeeded in linking the admission of Republican Hawaii to that of Democratic Alaska, and the price may be more than the Republicans are able to pay. This, at least, was the confident expectation of some 19 southern Senators, who voted with the majority in the belief that two territories would be easier to keep out than one. The Southerners fear any enlargement of the Senate, which might make it more difficult for them to sustain their opposition to laws enforcing Negro rights. Multi-racial Hawaii, which is likely to send two Republican Senators to Washington, is particularly suspect.

Mr Knowland, the Republican majority leader without a majority, has understandably laid the matter aside for a

fortnight to let more pressing business through. But even if the Senate can be persuaded to open the door to both Hawaii and Alaska, the House may not. The House has passed a bill admitting Hawaii, but has refused to do anything for Alaska. The Republicans no doubt are to blame, originally, for putting their own political interests first. But Democrats who sincerely favour statehood for both territories must have known that by linking the two they were jeopardising the chances of any action being taken at this session.

SHORTER NOTES

A \$350 million a year scheme to make government service more attractive and therefore more efficient is being pressed by the President. It follows the example of the most progressive private employers in offering voluntary group life insurance and health insurance; it provides unemployment insurance for all federal workers, and through reclassification of jobs and adjustment of salaries, promises average wage increases of about \$150 a year, although most of the rises are destined for workers in the upper brackets whose responsibility has outweighed their pay. But Congressmen are showing more interest, in an election year, in a general pay increase, perhaps for all civil servants, perhaps only for the postal employees who are the most politically telling of federal workers.

A number of small wholesale distributors of greeting cards will be able to send joyful messages to each other. The Federal Trade Commission has decided that, although they bought their cards through a jointly owned corporation, they were not guilty of conspiring to suppress competition. But the makers of coffins, or "burial caskets" as they are known in the United States, have gloomier news; the FTC has charged them and their trade association with agreeing to maintain "uniform, artificial, and non-competitive retail prices."

Americans smoked 7 billion fewer cigarettes in 1953 than in 1952, the first drop since the nineteen-thirties, with the exception of 1944. Cigar output in 1953 was, however, the highest for over 20 years. The official reasons for the decline in cigarette smoking—lower incomes, higher prices, larger cigarettes, a higher percentage of the population in the older age groups—did not mention the medical evidence that cigarette smoking causes cancer, which the industry believes to be mainly responsible.

The frozen food companies, long regarded as the housewife's best friend, are now prepared to take her out of the kitchen altogether. They are offering a sufficient variety of pre-cooked dishes, which need only be heated on a hot plate in the dining room, for her to be able to please any husband, however great a gourmet he may be, seven days a week; Normandy trout in champagne is one of the suggestions.

The World Overseas

Growing Pains in West Africa

FROM OUR CORRESPONDENT IN THE GOLD COAST

AS colonial territories approach self-government in the twentieth century, they face difficulties and hazards which were unknown in earlier periods. Most of them spring from the new levels of expectation which the western welfare state has created in the minds of the local electorate. The people not only expect independence, a vague term, in any case. They also demand health services, better education, improved diets and an increasing standard of living. And they demand all these things without any understanding of the fact that they are unobtainable without an increase in real wealth and the services of efficient and well-trained administrators.

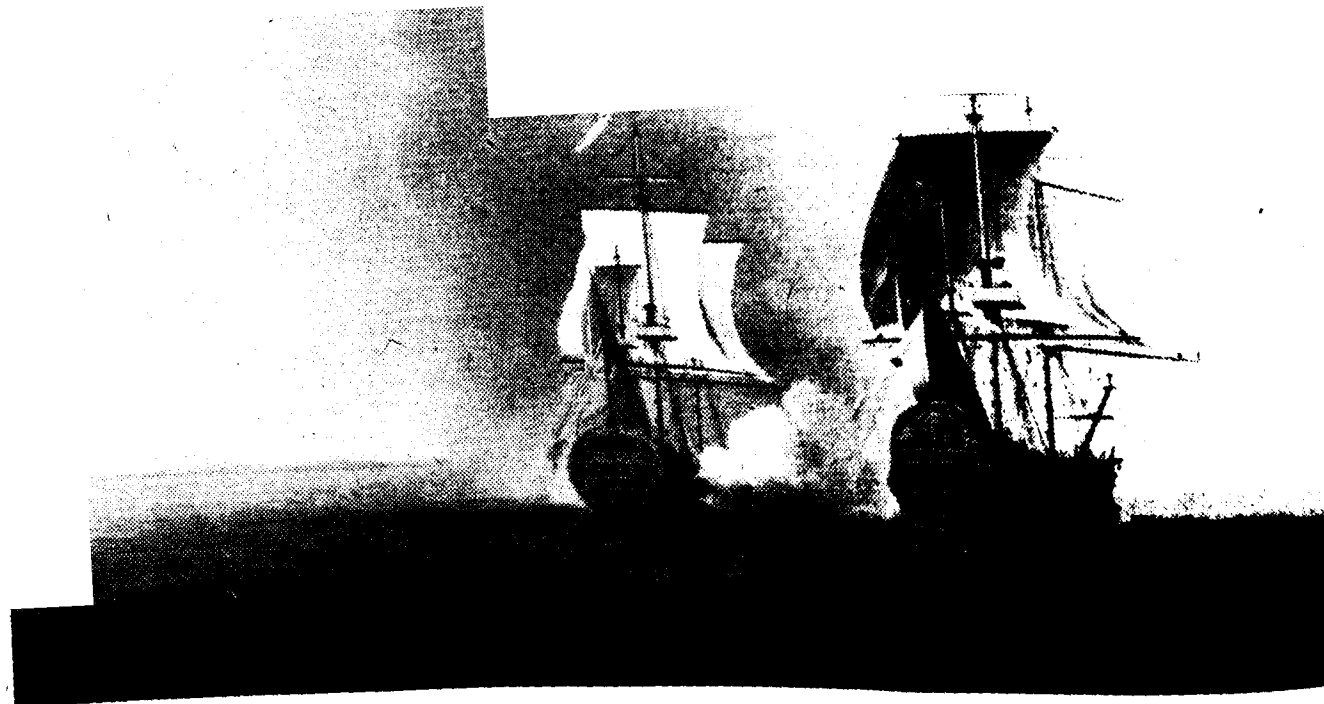
This gap between expectation and likely performance is formidable in itself. It is accentuated by the normal climate of opinion in the colonial world. The dominant ideas reflect the typical education given to colonial students in England, and even in the United States. They tend to be dogmatically left-wing on all matters concerning the creation and ownership of wealth and the future relations with the metropolitan power. In practical terms, they are hostile to foreign enterprise and distrustful of foreign administrators. While the people at large expect programmes which only western standards of wealth and administration can secure, the educated minority from which the local government must be drawn, tend to distrust—because they are western—the very sources from which capital and administrators can be drawn in the short run. For the small group of active Communists, who are usually to be found in countries moving towards self-government, this divided state of mind is a welcome phenomenon. By preaching fixed hostility to all western forms of aid and association, they not only strike a local chord of prejudice, they help to increase the risk of local economic collapse and political disorder in which, according to their calculations, their opportunity for a *coup d'état* must count.

These confused but potent currents of opinion were well illustrated in the crisis in British Guiana, where the political incompetence and extravagance of the local political and fellow-travelling leaders quickly threatened publicist and economic viability. It is therefore all the more encouraging to observe that in another former colony moving to independence, the facts of experience and a quality maturing judgment have led to a very different development. In the Gold Coast four years ago, it might have seemed that the stage was set for a drama of the type experienced in British Guiana. The dominant ideas in the Convention

People's Party were left-wing. Dr Nkrumah had the reputation of having Communist sympathies. The small African middle class in the Gold Coast repudiated his party as a band of extremists and hooligans. The party programme was based upon immediate independence, and there had been little in the preliminaries to the elections of 1950 to suggest that the CPP might not be irrevocably committed to left-wing extremism. Indeed, Dr Nkrumah was serving a sentence at the time for fomenting violence.

This period of turbulence has to be borne in mind in judging the significance of political events in the Gold Coast in the last nine months. It is clear that three years of practical experience of government under the able and patient guidance of the Governor and the British *ex-officio* ministers and officials have been sufficient to offset most of the articles of faith with which the party came to power. In the process of introducing an ambitious programme of extended education and of widening the scope of the social services, the African ministers have realised the cost of welfare and administration in terms of the country's revenue and the need for trained officials to carry on the whole programme of welfare. Independence without a rise in living standards may, they see, prove a Dead Sea fruit. But independence does not bring about such a rise automatically. On the contrary, there is some risk of deterioration and such a possibility might give the local Communists—who are already active in the trade unions—their opportunity. The problem is, therefore, seen no longer as independence, but independence with prosperity and progress—a condition which implies both an increase in wealth and effective administration.

This is the realisation that explains a number of acts of policy on the part of the Gold Coast government in the last nine months which accord rather uneasily with the original—and traditional—programme of “ending colonial servitude,” but accord very well with the dictates of common sense. The starting point is the conviction that independence is now assured. (Any suggestion from London that this is not the case would naturally restore all the old suspicion and extremism.) The practical policies are concerned with making independence effective—and comfortable. In July last year, the Gold Coast government announced its readiness to offer secure employment without discrimination in its own Civil Service to all British colonialists who opted to continue to serve in the Gold Coast by accepting the Gold Coast's alternative offer of



(By courtesy of the Trustees of the National Maritime Museum, Greenwich.)
ENGAGEMENT BETWEEN ANSON'S "CENTURION" AND THE TREASURE SHIP "CAVADONGA", 30TH 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.

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compensation. In this way, the African ministers are seeking, without any fear of being labelled "dupes of the imperialists," to keep the best and most experienced British officials during the critical years of early independence.

Recently, the government announced an equally practical and rational policy to meet the problem of maintaining and increasing Gold Coast resources. The ministers recognise that although the government has sizeable resources there is as yet no local class of investors or entrepreneurs and they have accepted Professor Arthur Lewis's recommendation that the assistance of foreign capital should be sought. To foreign enterprise the government offers an open field—save in the sphere of public utilities—and guarantees that investors will be allowed "to transfer without restriction profits arising from non-resident capital investment or to repatriate foreign capital invested in the Gold Coast." It further intends to write into the Constitution the guarantee that no nationalisation will be undertaken without fair compensation.

In the immediate practical sphere, it announces its intention to give every possible assistance to would-be investors in arranging for sites, for land purchase, for the provision of services and for the housing of staff. It is also ready to use its quite considerable capital reserves to help in the financing of ventures which may need preliminary assistance. In return for these guarantees, it asks only one thing—that all firms should undertake to train African staff for all types of work and responsibility. As an encouragement, all money spent on such training would be deductible for purposes of company income tax—which runs in the Gold Coast, as in Britain, at 9s. in the pound.

Communist Blandishments

Dr Nkrumah and his colleagues are aware that these eminently reasonable and practical measures for increasing the wealth and stability of the country will be denounced by the extreme Left as "betrayal" and "selling out to the capitalists." The cabinet has become increasingly uneasy in the last year at the amount of attention the Communists have been devoting to the Gold Coast, showering it with bursaries and scholarships all designed to lure potential leaders to indoctrination on the other side of the Iron Curtain. In the autumn, one of the leaders of the trade union movement was suspended from the CPP on suspicion of fellow-travelling. Recently Dr Nkrumah formally announced that no known Communist would be employed in certain branches of the Civil Service—the so-called "sensitive" branches, such as administration, education, labour, information, the police and the armed forces—and that the government would also take action to diminish the flood of propaganda literature and invitations reaching the country.

These, then, are the indications of sobriety and moderation in the conduct of government policy in the Gold Coast. It is to be hoped that they receive at least a part of the attention that has been devoted in the British press to the recent inquiry into corruption. An exclusive reporting of unfavourable happenings tends to create in the African mind the belief that although the Gold Coast government has progressed in understanding and good will, there has been no comparable development in Britain. Such a suspicion would now be more likely than any other single factor to discourage the government from holding its present enlightened course.

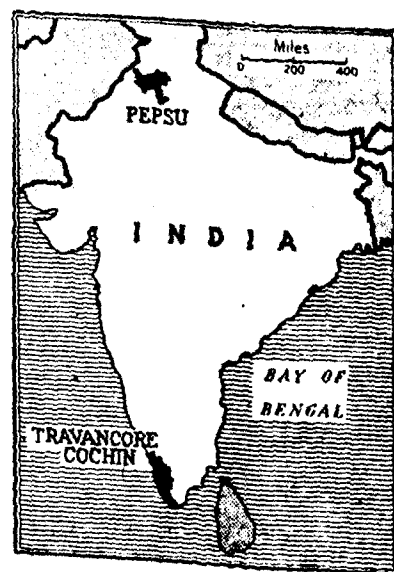
India Takes to Politics

FROM OUR BOMBAY CORRESPONDENT

INDIA is deceptive. The Communists did not, in fact, win in Travancore-Cochin; and Sikh communalism was rebuffed, not destroyed, in Pepsu (Patiala and East Punjab States Union). The recent elections in these two states have been treated rather like English by-elections, as tests of the national standing of the marginal parties. But both states are small, and communally, economically and politically untypical.

Communally, Pepsu has a Sikh majority, divided into nationalists and Communists (*Akalis*) who are themselves divided into a right and a left. Travancore-Cochin is one-third Christian; they are mostly very pro-Congress Roman Catholics, but with a minority of prosperous Syrian Christians who provide many of the State's Communist leaders. Economically, Pepsu has a tenancy problem almost solved; while Travancore-Cochin has a labour problem that is almost insoluble. Pepsu's tenancy disputes have been particularly bitter because many of the tenants are ex-owners whose landlords were forced on them by their princes within the last 60 years or so. But the legislation of the last two years will make most of them owners once more; they will now be able to buy out their landlords compulsorily for a maximum of £15 per acre. Already feelings

have quietened enough for it to be no longer necessary to perch armed police on the top of every bus.



One-fifth of the population of Travancore-Cochin is landless; employment is uncertain and the local government has not yet exercised its right to fix a minimum wage. There is little hope that land redistribution would help, for only a few dozen people own more than 100 acres, and geography is against much extra

irrigation. The state's main industry is coir, on which 600,000 people depend. But coir exports have fared ill, and naturally Communist support is strongest in the coastal coir belt. Bitterness has been sweetened by the Centre's failure to provide enough rice for a people who do not eat wheat.

At the last elections Congress did not win a majority in either state. In Travancore-Cochin it was able to govern through an ineffective coalition. In Pepsu it fell to a civil servant under President's Rule, to restore law and order, free services from corruption and interference, and pass long-needed reforms. As a result the public, acclimatised to order and stability, has given Congress a majority large enough to govern (37 out of 60). Congress votes went up from 400,000 to 700,000, and the Communist *Akalis* suffered a definite, though limited, defeat. They lost seven seats, and this defeat may be serious because it follows a

long period of dithering and the recent loss of control over their temples' funds.

Travancore-Cochin voted itself into a deadlock. The Congress did best; it got 45 per cent of the vote, against 35 per cent last time, and 1,763,000 against 1,118,000 votes. The Communists went up only from 15 to 17½ per cent and the Socialists from 14 to 16 per cent. Yet, because of the electoral alliance between the Socialists and the United Party of Leftists, which prevented split voting, Congress got the same number of seats as last time but in a somewhat larger house. The United Front of Leftists is a queer cocktail of Communists, Kerala Socialists (who want a separate Travancore-Cochin plus Malabar) and of Revolutionary Socialists who despise Communist bourgeois conservatism. The Congress, plus their possible allies, and the United Front, plus the Socialists, each have exactly half the house: 59 seats. For a stable government there must be either President's Rule which will be criticised as undemocratic, or a Congress-Socialist coalition. But the Socialists distrust Congress; moreover, their local leader, Mr P. T. Pillai, has for Congress that distaste that only an ex-Congress Chief Minister can have. In the event a minority Socialist government led by Mr Pillai, has been formed with the Congress in benevolent opposition.

The main lesson of these elections, however, goes deeper than who forms the government in Travancore-Cochin or Pepsu. It is that India is taking to politics like an old democracy. In both states some four-fifths of the electorate voted; in both states the main loss was suffered by splinter parties and independents. Politics are settling down to a fight between big parties, and voting shifts are only marginal, but can sometimes change the government.

Russia's Battle for Bread

FOR the second time since Stalin's death the Soviet leaders have now sounded the alarm about the poor state of agricultural production. Indeed, there is an even stronger note of urgency in the new directives issued by the Central Committee than in a similar communiqué issued last September. Then, after listening to a gloomy stocktaking by the Party secretary, Nikita Khrushchev, the Committee announced a new policy of incentives to the peasants through tax relief and higher prices. In Khrushchev's picture the emphasis was laid on the poor state of livestock and on shortages of coarse grain and other fodder. But at least there was the consolation, often reiterated in official statements, that the bread problem had been solved once and for all. This claim is no longer made.

The new communiqué is, in fact, a call to the battle of the grain. It is now admitted that production of bread-grains, as well as coarse grains, is insufficient. Many collective farms, after fulfilling all their deliveries, have not enough grain to pay the members for their labour. In spite of this, supplies to the state are not sufficient to cover the rising needs of the economy; to build up reserves and to provide exportable surpluses, "the need for which is growing." The blame for this situation is put on the planning authorities (the *Gosplan*) and the responsible ministries which, through their "incorrect policy," have allowed the total area under grain to decline and to fall

below the prewar level. But beyond the *Gosplan* it is Stalin himself who is really incriminated.

The insistence on agriculture is natural, since the fulfilment of the pledge to the consumer of better days—on which the new regime has staked its fate—depends largely on increased agricultural production. Grain has a decisive role to play in the campaign, both directly and indirectly, as food for livestock and Russia's staple export. Yet, of all the economic objectives, the grain target of 180 million tons* by 1955 seems the most difficult to reach. Doubts about its feasibility were expressed in these columns when it was first announced; they have been now strengthened when with only two years to go the grain harvest is still below 130 million tons. And yet Nikita Khrushchev still hopes to step up the yield by the fantastic amount of 50 million tons in two seasons, and the new drive is supposed to help in this task. The treatment prescribed in September is still to be followed—both the short-term prescription of incentives and the long-term one of mechanisation. On top of this, however, a new emergency remedy is now advanced: the conquest of virgin and waste lands in North Caucasus, the Volga region, the Urals, and in Kazakhstan and Siberia.

Altogether 13 million hectares of new land capable of producing some 19 million tons of grain are to be brought under cultivation within two years. The gravity of the situation is shown by the fact that even land left waste after the war as being uneconomical is now to be exploited again. But the real field of action for the new policy lies in North-East Kazakhstan and Western Siberia. Kazakhstan alone is to account for half of the total increase. Ponomarenko, the former minister of culture appointed as Party secretary in Kazakhstan to supervise the campaign, has just proclaimed in an electoral speech that in 1955 nearly 10 million tons of grain are to be produced there on 6.3 million hectares of new land, and by then Kazakhstan should have as large an area under wheat as the Ukraine, Russia's traditional granary. Extensive, highly mechanised cultivation is to prevail on these new lands. 120,000 tractors (in



15 hp units) have been earmarked for this operation, that is, nearly as many as the average annual supply to the whole Soviet countryside. State farms are likely to predominate, since three-quarters of the total grain production is to be marketable, while for normal collective farms the proportion is less than half.

The whole new policy sounds like a mixture of long-term planning and panicky improvisation. The acceleration of the eastward shift and dispersion of agricultural centres, and a parallel movement in industry, could be justified on both strategic and economic grounds. On the other

* All figures are inflated as they refer to the biological crop.

hand, the pace advocated and the alarm sounded indicate a state of emergency. Throughout the Soviet Union a propaganda campaign is being carried on to mobilise young agronomists, technicians, engineers and mechanics for the eastward migration. The Ukraine already boasts of 40,000 "volunteers," Russia claims some 100,000, and more are to come not only from the farms but from the factory benches as well. The young men are offered some material incentives such as three months' compensation from their former jobs and higher monetary rewards. Yet these alone could hardly induce them to undertake what is really a pioneering task. The first batches to reach the new regions were faced with a sub-zero temperature, and in the first period it will be necessary to brave the inhospitable climate in tents and feed in field kitchens. In the early days of the Soviet regime volunteers could be found for similar assignments by appealing to the revolutionary fervour of the Communist youth. But Stalin found slave labour more reliable than enthusiasm. Can the post-Stalinist regime revive the early enthusiasm, having promised to put away the police baton?

Historically it may not turn out to have been so absurd that reports of farmers' meetings overshadowed the Berlin conference in the Soviet press and the new decree has taken up more space than comments on Geneva. The battle of the grain may well go down as an important episode in the post-Stalinist struggle for survival. The Kremlin will certainly do everything in its power not to lose on this vital sector, but the changing tactics, the hazardous attacks, the throwing of shock troops into the fray, all show that it is far from certain of victory.

Guatemala's Communists

FROM A CORRESPONDENT

THE situation in Guatemala is a complex one. The country is still in the throes of a social revolution not unlike those that have swept Mexico and Bolivia. But here, unlike Mexico and Bolivia, the Communist party has increasingly influenced the development of the revolution; and it may yet succeed in establishing the western hemisphere's first fully Communist regime.

Guatemala still remains essentially divided into two nations. The Indians make up the overwhelming majority. Few of them speak Spanish; most are, in varying degrees, still basically pagan; and their meagre economy is one of subsistence agriculture. The other Guatemala is that of the *Ladino*, the Spanish-speaking townsman, generally descended at least in part from the conqueror of the Indian. The *Ladino* has hitherto owned most of the land, has created the towns, and has had the chief interest in the country's principal crops—first cochineal, and more recently coffee. The revolution is in part an attempt to integrate these two Guatemalas. It has introduced universal suffrage, modern labour legislation, the beginnings of education for the Indian and, during the past eighteen months, a land reform whose aim is to transform the Indian tenant into a landholding peasant.

The Communists did not father any of these reforms, but they are busy taking credit for them. Having a great deal of audacity, and, unlike all the other political elements,

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knowing exactly what they want, they have taken the lead away from the three other coalition parties—which have no distinguishable principles, and exist largely because they receive sizeable government subsidies. The Communists have been able to place their members or friends in key government posts. They are generally believed to control the social security institute, the national radio, and much of the agrarian department; the last is particularly important because it is carrying out the land reform, and the Communists can thus claim credit with the peasants for the distribution of land.

The core of the Communists' strength is the trade union organisation that has grown up since the overthrow of the Ubico dictatorship in 1944. Several non-Communist labour groups existed until 1951, when Colonel Arbenz Guzman succeeded Dr Juan José Arevalo as president; but the Arbenz administration has thrown its full weight in favour of the completely Communist-controlled General Confederation of Workers, to which virtually all the labour organisations are now affiliated.

President Arbenz himself is, in fact, the Communists' most important ally. They allied themselves with him several years before he came to power, and have apparently convinced him that they are the only true supporters of the revolution. Foreign observers estimate that the Communists gained more during the first six months of his administration than during the full six-year term of Dr Arevalo. However, the army officers as a whole still represent a considerable stumbling block on the Communists' road to full power. The party may also have difficulty in the future with the peasants, who will resist any attempt to replace the smallholdings they have just received by "co-operative farms"—the local version of collectives.

It is still too early to tell whether army and peasant resistance will check, or even slow, the Communist drive. No matter how the issue is resolved, the result may well be the shipwreck of the Guatemalan revolution. In terms of global chess, this country of only 3½ million people is a mere pawn; a pawn that might be sacrificed to assist the onward march of the Red King and Queen. The Guatemalan Communists may be expected by their masters in Moscow to serve as bridgehead for further revolutions in Latin America; or they may be considered to have done their duty if they merely arouse Latin American feeling against United States "interventionism."

Progress in Turkey's Villages

FROM A CORRESPONDENT

IN the last four years a reorientation of agricultural policy, plus American financial aid, have changed the Turkish countryside almost beyond recognition. In that short space of time the production of cereals has nearly doubled, and the number of tractors has leapt from 6,000 to over 35,000. Improved and extended roads are busy with lorry traffic. A considerable number of villages have acquired running water, and hydro-electric stations and dams are rapidly coming into existence.

While the statistical aspect of these changes is daily detailed in the press, the town-dweller becomes increasingly aware of them in other ways. Every town has its market

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days for the rural population of the vicinity. Here, up to quite recent times, more bargaining than actual shopping went on and certain commodities, such as sugar, were doled out by the spoonful. Except before a wedding, or some such important event, many peasants bought little except salt and gasoline. The peasant woman's necklace of gold coins represented at one and the same time the acme of sound investment and of conspicuous consumption. Today, the visitor to one of these market places is amazed at the variety of goods offered for sale. Gay-coloured cotton prints and rubber boots are much in evidence; mysterious-looking agricultural implements jostle with more familiar bicycles and battery wireless sets; there are plenty of gaily-painted metal trays and pots and pans, pink-and-white striped sweets and tinned biscuits. There is no doubt that these little shops reflect a new purchasing power.

Up to the eve of the elections in 1950, many Turkish intellectuals assumed, perhaps a trifle naively, that the development of the village had kept pace reasonably well with that of the city. That this assumption was rosier than the facts warranted was revealed when, in preparation for a multiple-party form of government, greater freedom of the press was granted. In all fairness, however, it must be pointed out that the People's Party administration had inherited the results of such widespread neglect and privation that the tasks at hand were almost superhuman. There were 35,000 villages, most of them isolated from the nearest town or from other farming communities, to be modernised. The necessity of maintaining a large standing army during the second world war cut across reform programmes and drained the country's resources of both manpower and production. Nevertheless, two important reforms were initiated by the İnönü government which are only now beginning to bear fruit: the Land Distribution Law of 1945, and the formation of a network of "village institutes" with the object of training young villagers so that they may return and teach in their villages. These institutes are still the subject of much controversy, but they have undoubtedly played a constructive role in the development of the villagers.

More Land Cultivated

In the period 1950-53 the extent of land under cultivation has increased by nearly one-third. Some eighty Land Distribution Commissions, functioning in as many districts, have distributed six and a half million dönüms (a dönüm is about 940 square metres). In 1952, 41,500 families received 3,773,000 dönüms of arable land, and 1,265,000 dönüms of pasture land. These lands were state, provincial or municipal lands not in public use, reclaimed waste lands, or lands belonging to obsolete pious foundations. Privately owned land in excess of 5,000 dönüms or, if uncultivated by the original owner, of 2,000 dönüms, is also liable to be redistributed. Uncultivated land is first worked by tractor-equipped government squads before being handed over to the beneficiaries. The latter are granted a loan repayable in twenty years, for the management of their land and a further three-year loan for the installation and equipment of their farm. Last November President Bayar announced a new Agricultural Bank credit at 3 per cent interest for the building of farms, silos, depots and other installations.

The state buys the farmer's crops through the agency of the Office of Soil Produce (Toprak Ofisi) at a price somewhat higher than the market price. It sells its surplus stocks

abroad, at normal prices. The Office of Soil Produce recently announced that of the crops purchased in the last seven months, three-fourths had already been sold. There have been adjustments in both purchase and sale price, but the government feel that the disparity will eventually be compensated by the increased volume of foreign trade. The sums paid by the Office to the farmers have increased from £T22,800,000 in 1949-50 to £T519,165,000 in the last seven months.

In his opening speech to the Grand National Assembly, early last November, President Bayar gave some rather startling comparative figures. The production of cereals, he said, had risen from 7,764,000 tons in 1950 to 13,600,000 in 1953. Cotton production had risen by 60 per cent, from 104,000 tons in 1949 to 165,000 in 1952. Tobacco had gone up from 82,000 tons in 1951 to 120,000 in 1953, seeds for industrial use from 1,700,000 tons to 2,415,000 tons. Cattle increased from 55 million head in 1950 to 62 million head in 1953; and from being a wheat-importing country Turkey is now close to becoming the fourth greatest exporting country. While no one claims that the agrarian standard of living in Turkey has in four years risen to a satisfactory level, yet the fact remains that, taking into account the growth of population, food production per head has doubled in that period.

A State Football Pool

BY A CORRESPONDENT

ONE of the biggest money-makers in Norway is the state football pool (*Norsk Tipping*) which was set up after the war. Turnover for the five years 1948-52 amounted to £10,660,000 and profits were £3,150,000. Last year profits came to £1,250,000; thus for the whole six years since the pool started its profits have amounted to £4,400,000.

For a small nation—Norway has only about 3,350,000 inhabitants—this is a considerable sum of money. The direct beneficiaries are sportsmen and scientists, for by law the entire profits are distributed to sport (which in Norway means amateur sport only) and scientific research. Up to the end of 1953, sport had received £1,480,000 and science £2,920,000. These extra-budgetary grants made possible by the institution of the state football pool have enabled sport and science to recover much more quickly from wartime neglect than would otherwise have been possible.

Most of the allocation to sport has been used to build playing fields. Grants have been made to hundreds of sports clubs with the proviso that the club members themselves should make an equal contribution in the form of voluntary labour in their spare time. The cash value of this voluntary labour was estimated at £850,000 in the first four years. Whilst the grants to sport are made through the state sports office, the grants to science are determined by three specially constituted councils for general, technical and agricultural science. These councils, aided by an elaborate system of specialist sub-committees, decide suitable research projects. The Norwegian Atomic Institute's uranium reactor—the first to be built by a small power—was financed partly by football pool profits.

The sub-committees created to help allocate pool profits

have in a number of cases developed into permanent research institutes with independent constitutions. In the technical field, these institutes are being financed by particular branches of industry, sometimes by means of a compulsory levy. Near Oslo work has now started on building a research centre to house many of the new technical research institutes, and industry is contributing generously to this project. As in sport, so in science, the football pool profits have been an incentive to self-help.

The football pool itself is a very compact and efficiently run organisation constituted as a limited company under the auspices of the Ministry of Church and Education. Only half the money staked by clients is returned as prizes. The other half, after deducting expenses, is all clear profit. Expenses have been kept down to a minimum in a number of ways which distinguish the Norwegian pool from British pools. The weekly coupon offers only one kind of forecast—a simple 12-results; checking is therefore very easy and only a relatively small staff is needed. The Norwegian pool can operate nearly the whole year, basing its coupons on Norwegian games in summer and on the very popular English League games in winter; this helps to reduce expenditure on overheads. Furthermore, there is no direct mailing of customers. Agents are used—usually shopkeepers—who receive the coupons in bulk, hand them out to customers, and return the completed coupons to the pool company. The agents also handle the money. The pool is thus spared much of the detailed work which British pool companies dealing direct with their clients must do.

The fact that the maximum prize for a winning forecast is only £2,500 does not seem to deter participation in the pool. About 500,000 Norwegians fill in the coupon weekly. There are few ways of getting rich quickly in Norway, and a tax-free £2,500 is quite an attractive proposition. The total prize-money is divided into three equal proportions, for distribution to first, second and third dividend winners. Coupons have to be filled in in triplicate, one for retention by the client, and two for the football pool company, which in turn deposits one copy with a public notary. The company's accounts are audited by the state auditing office.

The Norwegian state football pool's success is no doubt largely attributable to the fact that it is a monopoly. It is assured of the custom of the whole nation without the need to advertise. It can offer clients a coupon with only one type of forecast without danger of losing customers to other companies with more versatile and interesting coupons.

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Nor does the state pool have to raise top dividends artificially in competition with other pools.

The Norwegian public appear perfectly happy with the present arrangement. They believe that the pool is efficiently run, that dividends are fairly determined, and that running costs have been pared to a minimum; and they know that the only profit-takers are sport and science. Nor do they think it improper that the Ministry of Church and Education should run what is virtually a gambling institution. For many years the Ministry of Social Affairs has, through another state corporation, had a monopoly of the wine and spirits trade, and the general view seems to be that in gambling, as in drink, a public monopoly is the best safeguard against abuse.

The Real Wealth of Nations

NO one can deny the rapid strides made in recent years in the science of national income accounting. But, in spite of the development of new techniques and the refinement of old ones, there are still a number of problems outstanding. Not the least of these is the difficulty of finding a satisfactory method by which the national product, and its components, in one country may be compared with those of another. The real difficulty is that the economist, unlike his more fortunate colleagues in other branches of science, is cursed with a measuring rod that is as fickle as it is malleable—money. But recently Dr Milton Gilbert, of the Organisation for European Economic Co-operation (OEEC), and his collaborators, have, after a lengthy study, found a way which permits direct comparisons to be made. This is no mere academic refinement, for nowadays the national product is a cardinal fact in the economic calculations of governments; it is the principal measure of the productive power of a country. Moreover, there is constant need for a yardstick such as the national product when problems like the sharing of defence burdens in Nato are under discussion.

In the past international comparisons have been made in an unsatisfactory manner. The least misleading comparisons are those which, for example, compare the percentage of the gross national product (GNP) going into, say, investment in the United Kingdom with that in the United States, or when the percentage change in the GNP over a certain period in one country is measured against changes in another. But, valuable as these comparisons are for some purposes, they are only relative judgments; they tell nothing about the absolute size of the national product. So, if, for instance, defence expenditure in the United States is 14.6 per cent of GNP while that of Italy is only 5.8 per cent, though it is a significant fact in itself it does not tell the whole story; it leaves out the important point that the American national product is several times larger than Italy's.

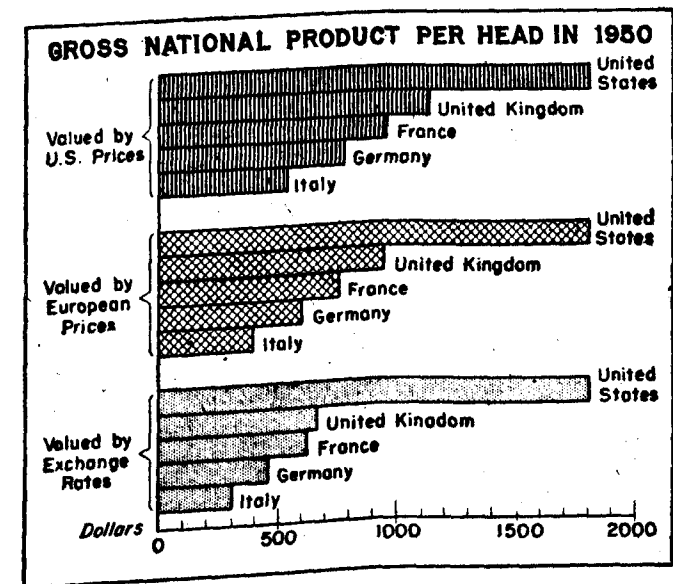
Frequently in the past an attempt has been made to convert, at the current exchange rate, the value of GNP in several countries into a common currency, usually dollars. But this is a faulty and often a misleading method. Besides making the assumption—nearly always false—that the official exchange rate is appropriate, this method also ignores the overriding fact that most goods which go into the national product are not traded internationally and, therefore, are remote in the extreme from any connection with the rate

of exchange. Though many methods have been tried to eliminate the grossest distortions of the exchange rate method, no really satisfactory answer has, or indeed can, be found.

Dr Gilbert has chosen a quite different approach. Instead of trying to doctor the national figures by some statistical trick, he has started from the beginning and recalculated the gross national product in five countries (chosen because the statistical material was available) on the basis of a uniform set of prices. But which prices should be used—American, British, French, Italian or German? The answer is that there is no single answer; for each pair of countries compared there are two answers. Thus comparisons of the national product (or its components) of, say, the United States and France, will show one set of results when calculated on the basis of American prices, and another, different answer, when calculated on French prices. Neither can claim to be uniquely right.

It is a laborious method; it made necessary the collection of price, quantity, and value data for no less than 250 items in all five countries. There were, moreover, problems of great complexity. Chief among these was the difficulty of defining identical products in the various countries, and making adjustments for differences in quality. Though the investigators exercised care and great ingenuity, the conclusion cannot be escaped that in many instances more or less arbitrary rules of thumb principles had to be used. Can anyone feel satisfied with "a kilo of automobile" as a unit? In addition the subjective element plays a large part in the valuation of many items. For these and other reasons the results of the present study must be treated with care.

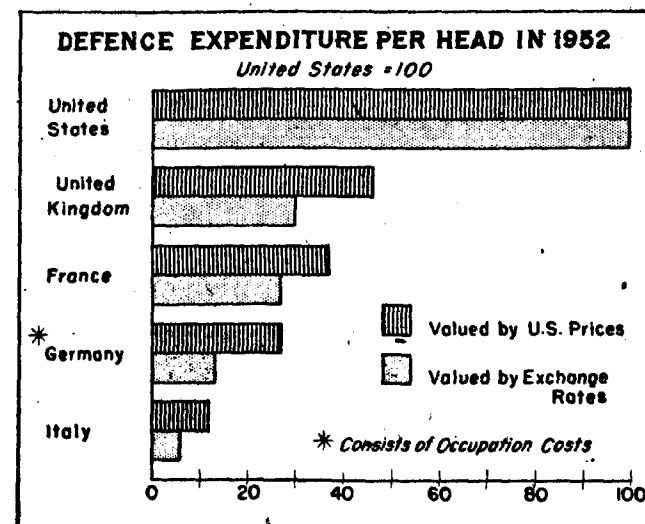
The most striking fact emerging from the report is the much better showing made by the four European countries when compared with the United States on the revised



"real" product measure than under the conventional exchange rate method; the combined European national product (for convenience sake the two answers for each country are blended by a geometric average) is 50 per cent of the American as compared to 35 per cent when the old method is used. Likewise the national product per head of population when calculated by the revised method gives better results for Europe than was previously believed to be the case. Nevertheless even this "prosperity by recalculation" does not hide the substantial difference between

Europe and America, though, as the authors say "the European countries are not as weak nor as inefficient from an economic standpoint, relative to the United States, as has often been thought."

Interesting results are also obtained when comparisons on the new basis are made of the individual items that go to make up the gross product in the five countries. Whatever prices are used, American or European (and, it must be admitted, by the old exchange conversion method), the proportion put into investment in Europe compares lamentably with that in the United States. In 1952, for instance,



the rate of investment in Britain was 38 per cent (by United States prices) or 41 per cent (by British prices) of the American rate. The figures bring out, furthermore, the poor showing made by Britain as compared to the other European countries, except France, in this respect.

Perhaps the greatest practical interest of the study lies in the figures showing the part defence expenditure plays in the GNP of the five countries. The recalculated method tends to show a bigger defence burden in the United Kingdom, relative to the United States, when valued by American prices than is shown by the conventional method. But France and Italy, on the other hand, appear in a rather less favourable light. However, if the calculations were to be based on European prices a substantially different result might have been obtained. Moreover, it can be argued, as the report admits, that "the percentage of defence expenditure to gross national product is the more significant measure of the burden of defence." Though the new recalculated figures are hardly likely to eliminate the disputes which are a common experience in the annual Nato burden-sharing exercises, they will at least add two more objective criteria by which the burdens may be compared.

In the end can one say that OEEC's new method has really solved the difficult problem of comparing national products in different countries? Even the authors admit that the technique is not yet perfect; but apart from this, it must be doubted whether a finally satisfactory method has been evolved, or is indeed possible. True, the present study goes to the root of the problem, but in so doing it exposes more problems than it solves. Perhaps this is the major achievement for, if nothing else, the report shows very clearly the fallacies of former methods. It is nevertheless a courageous pioneering effort.

man and tree

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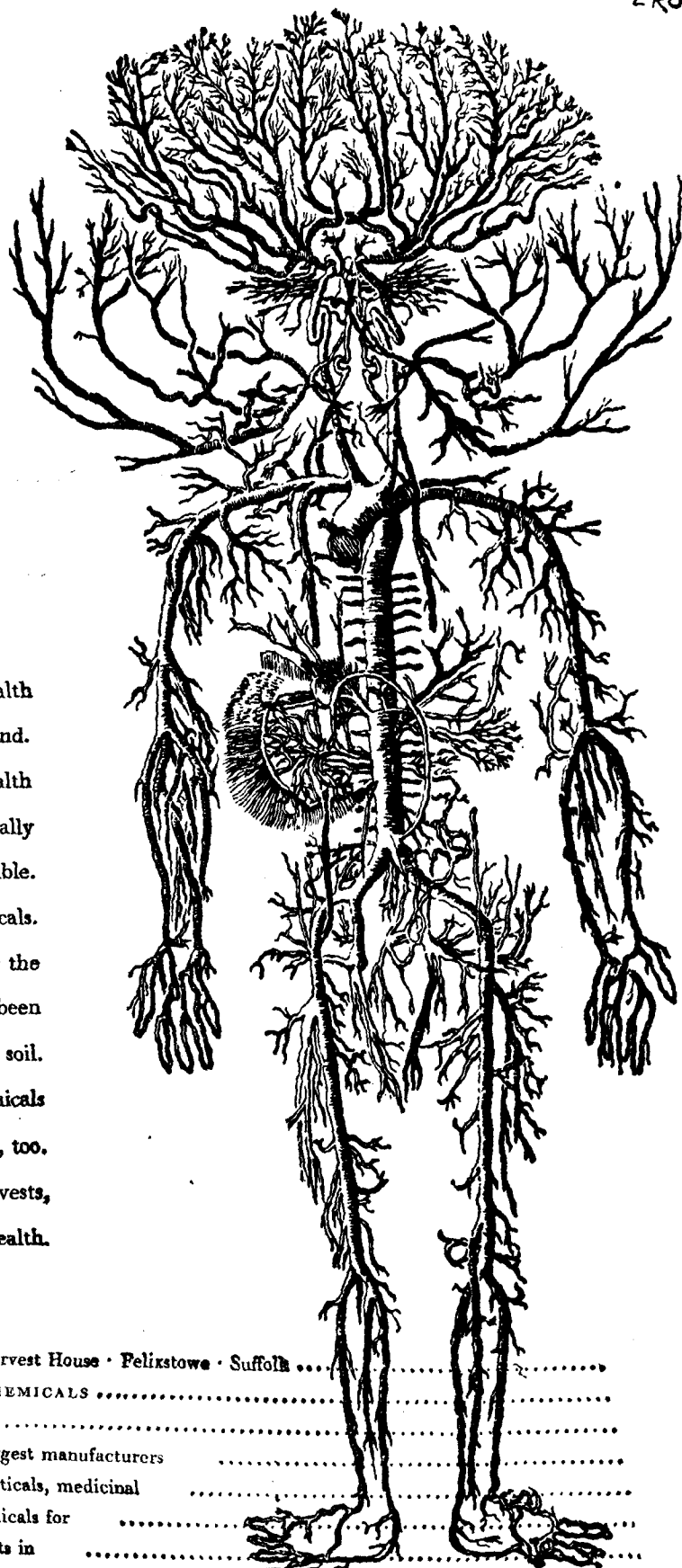
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THE BUSINESS WORLD

Dead Man's Gift Horse

THE law and practice governing the valuation of gifts *inter vivos* for estate duty purposes has undergone considerable changes in recent months, and this week has produced a further and major change. For nearly three-quarters of a century it has been recognised that the collection of the duty would be largely frustrated if the "undressing" of estates before death was permitted without restriction, and, since 1881, property passing on death has been deemed to include "property taken under a disposition *inter vivos*." To begin with, gifts made within three months of death were included; the period has been lengthened until today it extends to five years except for charitable gifts where one year is enough. The whole art of avoiding estate duty by making a gift is not to die too soon. And just as estate duty is charged on the value as at the date of death of the assets which actually pass, so it seemed natural enough that the same basis should apply to assets which are "deemed" to pass. But this is a tricky field, and the Inland Revenue's announcement on Wednesday involves a little legal and historical introduction.

When a gift attracted duty if it was made within three months of the death of the donor, any difference between the value of the property at the date of gift and its value at the date of death was not likely to be material. But with the lengthening of the period to five years—the length of a war or a trade cycle—difficulties and anomalies were bound to flourish. The property given might be sold before the death of the donor, at more or less than its value when he gave it; it could be converted into other property; it might even cease to exist. The *Strathcona* decision of 1929 firmly established the rule that it was the property taken under the disposition—the original gift, no more and no less—that must be valued at the date of death; the fact that it might have been sold or converted by the donee before the death

occurred was to make no difference. This rule has three main consequences. First, where the gift is in the form of shares, any bonus shares issued after the date of the original gift do not form part of the property given and are themselves exempt from estate duty; this is the force of the *Oldham* decision of 1940. Secondly, property that ceases to exist between the date of gift and the date of death—for example, a racehorse which dies—cannot be deemed to pass at all. Thirdly, and perhaps most important, any donee who sells his gift before the death of the donor is indulging in a most hazardous gamble; property worth, say £4,000 at the date of gift might be sold for £6,000 and yet be valued by the time of the donor's death at £20,000.

To meet this third difficulty, the Board of Inland Revenue last summer announced that, on a legal reconsideration of a section which had been on the statute book since 1894, they proposed to amend the official practice governing the valuation of gifts which had been sold between the date of gift and the date of death. The future practice of the department, as then defined, would be to claim duty, not in respect of the property originally given, but in respect of the proceeds of the sale or exchange or the reinvestments thereof.

These new rules seemed to give a valuable protection to a donor who wished to sell a gift before the five years were up. A needy nephew could dispose of the valuable white elephant from his wealthy uncle without fear that if the uncle were to die within five years, he might have to pay a high rate of duty on a value considerably above the price he obtained. But the short-lived rules of 1953 were not free from ambiguity; it was not clear, for example, whether they gave the taxpayer the option of taking the value of the gift at the date of its sale (Revenue practice) or its value at date of death (*Strathcona* decision) as might suit him best. In a

supplementary statement the Inland Revenue declared that their new practice offered no option, but until their new statement appeared this week, it seemed that they might well be forced to prove the standing of their rule before the Courts. The words "if the donee can show satisfactorily that at the donor's death the proceeds of sale are represented by property or investments . . ." would certainly have given rise to difficulties. If the proceeds of the sale had been reinvested in investments which depreciated the "satisfactory" evidence would no doubt have been forthcoming; but if they had appreciated, would every donee have found it possible to disentangle his affairs?

The Revenue could not be expected to play "heads you win, tails I lose," in this way, and a retreat from their new practice was foreshadowed by their arguments in the recent case of *Earl of Iveagh v. Commissioners of Inland Revenue* decided last month. In that case, Mr Justice Upjohn accepted the Crown's contention that where property is released from a settlement, and the person effecting the surrender dies within five years, the property so released falls to be valued at the date of death, whether still held by the donee or not. No mention was made of the new Inland Revenue practice, and the *Strathcona* decision was supported. That decision applies to absolute gifts; until recently a different rule was adopted where the gift took the form of a settlement. In such a case the gift was held (*in re Payne*, 1940) to be the corpus of the trust fund at the date of death. One consequence—paradoxical in comparison with absolute gifts—was that bonus issues of shares did not serve to reduce the value of the gift and ranked accordingly for estate duty. This rule has been overthrown by the recent decision in *Sneddon and Others v. Lord Advocate*. In that case, the donor had given to trustees of a trust fund the sum of £5,000 in cash which they had invested in shares worth £9,250 at the date of the donor's death. The Lords held that it was necessary to look at the moment when the gift was made to see what the chargeable property was, and they found that the gift was one of £5,000. They concluded that the *Payne* case was wrongly

decided, and that in future no distinction should be made between absolute gifts and settled gifts. They also considered the meaning of the expression "property taken" under a gift *inter vivos*, and as a result of their findings the Revenue now recognises that the new practice introduced last summer must be abandoned.

In future, therefore, where a donor dies within five years, estate duty will be payable on the property originally given, provided that it still exists at the date of death. It will make no difference if the donee has, in the meantime, sold or otherwise disposed of it. The value will be the value at the date of death, not the value at the date of gift or of intermediate sale. The rule will apply equally to property given absolutely and to settlements, and both forms of gift will now be capable of benefiting from the *Oldham* decision. Complications resulting from the differences in value at the date of gift and the value at the date of death will remain.

The law aims at preventing the avoidance of duty by withdrawals from the donor's estate: the amount withdrawn is the value of the property taken at the time the gift is made, and it would be logical, as Lord Morton hinted in the *Sneddon* case, if gifts *inter vivos* were valued as at the date of the gift, and not as at the date of the death of the donor. Moreover, if the value at the date of gift were taken for the purposes of estate duty, the recipient would at least know the amount on which he might have to pay duty, although he would still be uncertain of the rate of duty or whether the donor would survive for five years. But such a change would be dangerous in principle, since it would pave the way for the taxation of gifts as such, without any reference at all to the death of the donor within five years or any other limited period. Fortunately the administrative difficulties in the way of the effective enforcement of any tax on gifts in general are so great that the Inland Revenue is not likely to look with favour on such a development. In the meantime, the only sound advice must be: Give cash, unless the property given is likely to depreciate or is in the form of investments likely to be decimated in value by bonus issues; and be as certain as you can to survive five years.

Uranium and the Investor

URANIUM is not a scarce mineral. But it can be produced economically only from high grade accessible ores or from lower grade ore in conjunction with the extraction of another mineral. Uranium producers elsewhere must envy South African producers, for there many of the gold mines, finding life none too easy, have found a new opportunity in uranium. A new bud, full of promise, has been grafted on an old root; the cost of grafting has not been borne by the mines themselves and they have the joy of tending the vigorously growing plant.

At least £50 million will be invested in the uranium

industry in South Africa. Already something more than £40 million in capital expenditure has been arranged for the 23 mines so far selected to take part in uranium production, and by 1958 this new output may yield about £40 million a year in gross revenue. Investment in ancillary industries and public utilities servicing the uranium producers will also have to be made. And the list of selected mines may grow. The location of those already chosen is marked on the accompanying map and such facts as are known about their plans are listed in the accompanying table. Rumour adds six other mines (Freddies North, Loraine, Vaal Reefs, Harte-

beestfontein, Merriespruit and St. Helena). One of these must have been the extra mine which Dr Van Rhijn, the Minister for Mines, let slip this week when he gave the number in the OFS as eight and the total as twenty-four.

This new industry has three distinguishing features. It is blanketed—perhaps excessively—in secrecy. It is part of another industry—goldmining. It works in close partnership not only with the South African government but also with the governments of Britain and the United States, on whom the real financial risk reposes.

Uranium has been known to exist in small quantities in South African gold deposits for at least 30 years. And for over three years it has been known that the South African Atomic Energy Board was making arrangements with the British and American governments to erect plants to extract uranium oxide (U₃O₈) from the slimes

acid needed for uranium extraction, it might be no better a proposition to produce uranium in the Rand and Orange Free State than in other parts of the world. But at the gold mines the facilities are ready. The ore containing gold and uranium has to be mined and crushed and the extra effort of recovering uranium makes little call on labour forces. Uranium is an off-shoot of gold, and it poses a pretty problem in the economics of joint product costing. But there are already a few examples where uranium has become the main business and gold the by-product. Uranium has brought new life to one dying mine, Dominion Reefs, which is to resume the mining of ore not payable on its gold content alone and to draw its profit from the uranium in its slimes and dumps. Another mine, West Rand Consolidated, secures a higher profit on its uranium than on gold. This story has a moral for investors. Uranium pro-

duction at this mine has actually reduced current earnings from gold by inducing the managements to bring to the mill ore that is rich in uranium but poor in gold; its life as a gold producer has correspondingly lengthened. So investors should gain in the long run.

The customers for South Africa's uranium are the same rich uncles—the British and American governments—who are finding the £50 million needed to build the extraction plants. It may be inferred from

SOUTH AFRICA'S URANIUM PRODUCERS

Company	Group	Locality	Uranium Bearing Reef	Selection announced	Cost of Plant £'000's	Production date	Additional Dividends Forecast per Share†
Daggafontein**	Anglo American	East Rand	Main and Kimberley	14/12/50	3,900	May, 1953	4d.
Vogels.....	Goldfields	East Rand	Kimberley	8/10/52	1,850	Mid-1954	
West Rand*	General Mining	West Rand	Bird	14/12/50	1,600	Oct., 1952	9d. 1/-
Randfontein*	Johannesburg	West Rand	Bird	9/9/52	6,541	Jan.-June, '54	
E. Champ d'Or	Johannesburg	West Rand	Bird	30/4/53	225 (b)	Early 1954	
Luipaards Vlei	Goldfields	West Rand	Bird	9/9/52	3,000	Mid-1954	
Blyvoorst	Central Mining	Far West Rand	Carbon Ldr.	14/12/50	3,358	June, 1953	2d.
W. Dreifontein	Goldfields	Far West Rand	Carbon Ldr.	25/5/51	2,000	Mid-1955	4d.
Douarsfontein	Goldfields	Far West Rand	Carbon Ldr.	25/9/53		Mid-1955	
West Reefs**†	Anglo American	Klerksdorp	Elsburg	14/12/50	4,900	Dec., 1953	3d.
Stilfontein*	Strathmore	Klerksdorp	Vaal	23/4/51	4,000 (a)	Nov., 1953	3d.
Ellaton.....	Strathmore	Klerksdorp	Vaal	17/4/53	450 (a)		
New Klerksdorp	Anglo-Vaal	Klerksdorp		17/4/53	60 (a)		
Afrikaner....	Northern	Klerksdorp		17/4/53	57 (a)		
Babroscos....	Strathmore	Klerksdorp		17/4/53	30 (a)		
Dominion Reefs†		Klerksdorp		25/11/53	2,000	1955	
Pres. Brand	Anglo American	OFS	Basal	9/9/52			
Pres. Steyn							
Welkom.....							
W. Holdings							
F. S. Geduld	Central Mining	OFS	Basal	15/1/53	3,300	Late 1954	
Harmony.....	Anglo-Vaal	OFS	Ldr./Basal	9/9/52	4,250	Early 1955	
Virginia*							

* Sulphuric acid producer.

† Company will treat old slimes.

‡ Price payable for uranium has been increased since these official dividend estimates were published.

§ Planned monthly capacity of plant at West Rand is 40,000 tons and at Harmony 45,000 tons; unconfirmed monthly capacity at Vogelstruisbult is 25,000 tons, Luipaards Vlei 30,000 tons and at Virginia 50,000 tons.

(a) Stilfontein, will treat slimes of Ellaton, New Klerksdorp, Afrikaner Lease and Babroscos; the amount of costs of plant entered against these mines is included in the £4 million entered against Stilfontein.

(b) Slimes will be pipelined at a cost of £225,000 to the Randfontein plant.

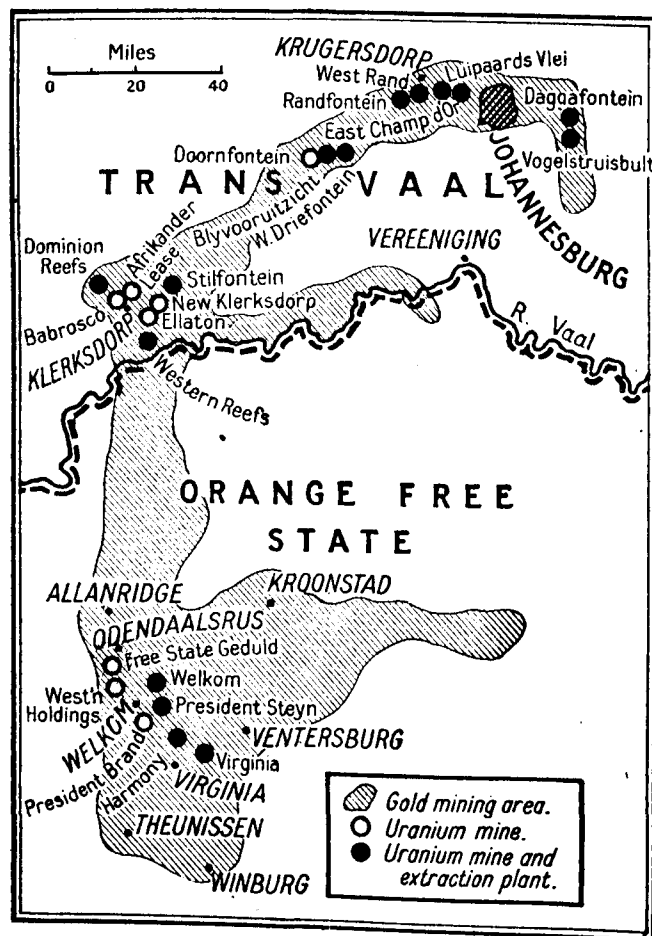
which come from the ores after the gold has been extracted. Yet, even now, the facts usually needed to assess the future of an industry remain hidden. Neither the price of the product, nor the reserves, nor the actual output from the mines have been released. And lest any guess might be attempted about reserves, mines which have brought to the crushing mill gold ore of a less than payable grade but rich in uranium have been forbidden to publish their reserves of this type of ore. The grade of ore, too, is secret. The outside world, including investors, is left squinting through the few chinks that have appeared in this curtain of security.

Uranium in South Africa rides on the back of the goldmining industry. Without that industry, with its mining and crushing plant, technicians and labour force, and without the pyrites ready at hand to make sulphuric

British and South African official figures that Britain has been contributing about a third of the capital outlay. Britain and the United States buy the uranium and thorium oxides in still unspecified proportions—though South Africa may have atomic energy plants itself one day, and the Atomic Energy Board has reserved the right to hold back part of the production for domestic needs. Between the British and American governments and the mines the Board acts as a handling agency, passing on working capital and the price received to the mines and forwarding the product to the two governments.

The board, however, is not merely a passive agent. It is an important body with the Minister of Mines at its head, representing the Government, the Department of Scientific Research and the mining industry. It has complete control over production, exploitation and

research—powers amounting to monopoly and almost to nationalisation. The gold mines are therefore divorced from the main risks and act almost as the board's agents. The board, acting on the advice of its geologists, chooses the mines for uranium production and it fixes the terms by individual 10-year contracts with each of them. A little is known about the nature of these contracts. The price of the uranium oxide is calculated to cover the redemption of the cost of the extraction and sulphuric acid plants within ten years of the date of full production, together with interest on the capital over the period, direct production costs and a reasonable (though unspecified) margin of profit. It



is from these profits that the South African government will draw its own share—in the form of lease and income taxes, uranium being aggregated with gold for tax. Clearly these arrangements imply that the Board buys uranium from the mines at various prices. But it permits no glimpse at the accountancy by which it works out its selling price to the two consumers.

Uranium ore of a low grade is to be found all across the goldfields of the Rand and the Orange Free State. The Board's geologists have tested over 400,000 ore samples and selection of the 23 mines must have been based first on a satisfactory grade of ore available in quantity at the mines. Secondly perhaps an eye was kept on the future. There is no intention of starving this promising young industry by skimming off all the cream. With a lesser degree of certainty it can also be presumed that, as the issue of leases has been going on

for over three years, most of the older gold producers must already have been considered and that most of the early additions to the list will be drawn from developing mines of the Orange Free State and the

URANIUM SHARE PRICES

	Sept. 29, 1953	Oct. 30, 1953	Nov. 30, 1953	Dec. 31, 1953	Jan. 29, 1954	Mar. 16, 1954
Daggafontein (5s.)...	69/4	73/9	76/1	76/1	73/1	72/6
Vogels (10s.)...	30/9	31/6	33/3	35/9	34/3	36/9
West Rand (10s.)...	50/7	51/10	50/-	51/3	54/4	51/3
Randfontein (1s.)...	40/6	46/9	55/-	68/-	72/-	67/6
Luipaards Vlei (2s.)...	21/7	22/-	22/-	26/3	24/9	23/6
Blyvoor (2s. 6d.)...	39/-	38/6	36/10	36/6	33/7	36/1
W. Driefontein (10s.)...	130/-	126/3	122/6	123/9	117/6	116/3
Doornfontein (10s.)...	22/6	22/-	26/3	28/4	26/3	26/-
West Reefs (5s.)...	45/-	48/1	49/4	54/4	57/6	54/4
Stilfontein (5s.)...	25/4	25/9	27/-	28/6	28/3	27/6
Dominion Reefs (5s.)...	7/4	8/-	14/4	21/9	25/9	31/6
Pres. Brand (5s.)...	26/9	27/9	28/6	35/3	42/3	50/6
Pres. Steyn (5s.)...	22/4	21/3	21/-	25/-	28/9	31/9
Welkom (5s.)...	17/9	15/6	17/9	19/6	18/6	20/6
W. Holdings (5s.)...	71/10	72/6	76/3	78/1	93/1	88/1
F. S. Geduld (5s.)...	53/9	50/7	50/7	57/6	89/4	98/9
Harmony (5s.)...	22/-	24/-	26/3	26/6	29/3	29/4
Virginia (5s.)...	11/9	11/3	12/1	14/1	14/4	13/9
F. T. Gold Producers	82/79	83/58	83/41	89/39	91/14	94/78
F. F. Gold Developers	81/26	79/27	85/72	94/95	104/52	108/44

Klerksdorp area. The selected mines lie in five clusters—in the Orange Free State, the Klerksdorp area, the Far West Rand, the West Rand, and the East Rand. This clustering, arising because the mines are tapping the same reefs, has meant that extraction plants can be erected to treat the ores of more than one mine; the Stilfontein plant, for instance, will service four other mines in the Klerksdorp area. Slimes can be fed into extraction plants by pipeline. High engineering priority is granted to the accepted projects, and so far the Board has revealed no limit (except the geological test) to the number it will accept. The true limit to the rate of expansion may well be the availability of equipment. What sort of picture can the investor form from these patchy glimpses of a new industry? He can examine the profits so far published. As can be seen in the accompanying table they are advancing steadily.

PUBLISHED PROFITS FROM URANIUM

(£ '000s)	1952	1953				
	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	
West Rand	138	138	157	187	389	
Daggafontein	...	...	120	228	257	
Blyvooruitzicht	...	...	22	95	147	
West Reefs	...	...	...	...	228	
Stilfontein	...	...	...	...	45	

These profits are encouraging portents. But they do not imply fantastic increases in dividends. The recent activity in Kaffirs was not simply a uranium boom; it came from uranium progress and good gold values from the developing mines of the Orange Free State. For example, the exceptionally sharp rise in Free State Geduld in recent months springs mainly from a fine borehole assay. The investor can also see that important

ancillary developments will have to occur in South Africa where the whole economy may benefit. One of these is the construction of six sulphuric acid plants (with a total capacity of over 1,000 tons of acid a day) paid for by the British and American governments. Another will be linked with the additional demand for about 70,000 kW of electricity; the International Bank and the Commonwealth Development Finance Company have already contributed to this programme.

The investor is thus confronted with an industry where the known facts are few and the presumptions many. He does not even know South Africa's potential rank among the uranium producers of the world. How will it compare with Canada, with Australia, or with the Belgian Congo, where Britain has a big indirect interest

in the industry through Tanganyika Concessions? The Union's ambassador to America has hinted that South Africa may one day lead them all. A prospective gross revenue of £40 million a year from uranium looks small compared with the annual revenue of over £140 million from gold but it may transform a struggling gold industry into the honoured partner of powerful governments. The investor has a stake in an industry where the capital costs and main risks are borne by the American and British governments and which is rigorously controlled by the South African government. He is backing his faith that those governments, which need uranium urgently, will not skimp its development; but they will not pay more than a reasonable living wage to the producers.

Business Notes

More Credit for Industry

INDUSTRY'S demands for bank credit, after declining during the first two years of the "new" monetary policy, are now turning upwards again. This trend, had been suggested by the monthly figures of the clearing banks, and is now plainly demonstrated by the latest quarterly analysis of bank advances which include all advances made in Great Britain by members of the British Bankers Association. During the three months to February this year, aggregate advances rose by almost £102 million, to £1,842.6 million; they are still £26 million lower than at the corresponding date last year, and no less than £213 million below the peak touched two years ago, but the latest increase—though partly seasonal—much exceeds the rise in the corresponding quarter of each of the previous two years.

The nationalised electricity and gas industries have used the proceeds of their last year's issues principally in repaying their earlier bank borrowings and are now leaning upon bank credit again; during the past quarter the utilities group, other than transport, has increased its bank indebtedness by £45 million. This movement, however, is only slightly larger than last year's; the quarter's expansion in the demands from all other borrowers is much greater than in the corresponding quarter last year—it amounts to £56.7 million, compared with under £10 million. A portion of this difference may, however, be attributable to the needs of other nationalised industries in anticipation of market borrowings. The "transport and communications" group increased its bank indebtedness during the quarter by £4.3 million, whereas last year it repaid £4.2 million.

Even if this category is also excluded from the reckoning, it is evident that borrowings by the private sector have risen

by more than £50 million, or nearly four times as much as they rose in the corresponding quarter last year. This contrast is partly attributable to a sharp change of trend in the big category of personal and professional borrowings; these had contracted without pause since August, 1951, but have now risen by £7 million; last year they dropped by roughly that amount. Among the business and institutional categories of borrowers, all save three have increased their demands. The most notable exception is iron and steel, which has reduced its indebtedness of nearly £7 million, whereas last year it borrowed an additional £14 million. The other declines are fractional—£0.6 in churches, charities, etc., and £0.5 in food, drink and tobacco (which last year, however, repaid loans to the extent of £5 million). The biggest increases occurred in miscellaneous textiles (£5.9 million), agriculture (£5.1 million), engineering (£5 million), but this contrasted with an increase of £12 million last year), and retail trade (£4.4 million, in contrast with a decline of £5 million). The "other financial" group expanded markedly, by £17 million, doubtless partly in consequence of bank lendings to the new Commonwealth Finance Development Company as well as to the other specialised financial institutions.

Hint from the Bank?

OFFICIAL tactics in the short loan market are not, perhaps, an infallible guide to the authorities' attitude towards wider issues of monetary policy, but those in the stock markets who lately have been "talking" Bank rate down again would do well to take note of recent experience in

the money market. Throughout last week—during the very period when the talk about Bank rate again became prominent—the discount houses were kept on a short credit-rein, and the stringency was such that on three occasions market houses were forced “into” the bank for borrowings on the penal terms.

This credit pressure so impressed the discount houses that they reduced their tenders for the Treasury bills offered on March 12th by 3d. per £100. That was an unusually wide adjustment. And it was made in spite of the strong competition that the discount houses have lately had to face at the tenders. In consequence, the average rate of discount at which the week's bills were allotted rose to £2 2s. 2.61d. per cent, compared with £2 1s. 3.83d. per cent. This change in the trend of Treasury bill rates was followed by a reversal of the cut made in commercial bill rates four weeks previously. The market's agreed quotation for two and three months fine bank paper was raised from 2½ to 2 3/16 per cent, though rates for longer bills were not altered. Credit conditions in this past week have been less difficult.

The amounts of the market's penal borrowings at the Bank that caused these noticeable results were quite small, and if the borrowings had been confined to a single day little notice would have been taken. But the quick repetition of them is unlikely to have been purely fortuitous. In this context, it is worth recalling that the market was twice forced into the Bank in early February, shortly after the cuts in the American and French bank rates started discussion of the possibility of a move in London.

Convertibility—Shadow or Substance

BRITAIN'S official attitude towards convertibility has changed radically since the early days of the Commonwealth “plan,” despite the recurrent affirmations that the objectives then adopted are still in view. America's cold-shouldering of the “plan” and Western Europe's fear that any dash for sterling convertibility would disrupt the mechanism of OEEC, has made Britain lean increasingly towards the view that the major currencies should preferably keep in step in any march to convertibility, and should not press forward if the advance had to be safeguarded by an intensification of discriminatory restrictions upon trade. Those who find these changes of emphasis difficult to follow will do well to study a refreshingly lucid article by Sir Dennis Robertson in the current issue of *Optima*, the review published by the Anglo-American Corporation of South Africa. Sir Dennis's object is not to reflect or trace the shifts in official opinion; but the outcome of his independent appraisal of the likely worth of any quick advance to general convertibility for non-resident sterling comes close to what seems to be the British government's present view.

He detects a danger that monetary authorities may be swayed too much by considerations of prestige, and he therefore emphasises that the pursuit of currency convertibility as such may easily mistake the shadow for the substance—which would be lost if convertibility were to “set on foot a general movement back to restrictionism” in trade. But Sir Dennis admits that there are disadvantages in thus protecting the present structure of trade: there is a

risk, for example, “of the countries of Europe ‘developing into a lot of old flower-women, each pestering the others to buy her early violets, and all finding themselves without the means to buy their daily bread.’” After this penetrating and characteristic judgment, Sir Dennis finds reason to welcome the activities of the “gad-flies”—the tempestuous Dr. Erhard and the ubiquitous Dr. Jacobsson—in constantly reminding Europe and “Sterlingaria” that “mutual trade is not the be-all and end-all of their existence.” Sir Dennis is temperamentally and intellectually inclined towards the world of convertibility and multilateralism; for that very reason he does not want the wider objectives to be missed because of any over-zealous and doctrinaire pursuit of a narrow technical objective.

A very different view has this week been argued by another Cambridge Professor of Economics, Mr Austin Robinson, in an article in the current issue of the “Three Banks” Review. After a detailed analysis of Britain's imports since the war and in comparison with prewar, he doubts whether “the abundant good fortune of 1953 is here to stay,” and considers that except when Britain is lucky with its terms of trade it cannot expect to receive and pay for a volume of imports much exceeding four-fifths of the prewar volume. He admits that there may be some justification for running risks in the hope of promoting an expansion of world trade—provided that others will fully co-operate. But he does not rate the chances highly, and so is led to sponsor a sombre policy of import “planning” with the object of cutting down Britain's need for imports and especially its agricultural imports. In such a programme, needless to say, convertibility would have no place: Professor Robinson would relinquish substance as well as shadow.

“Free” Sugar Sags

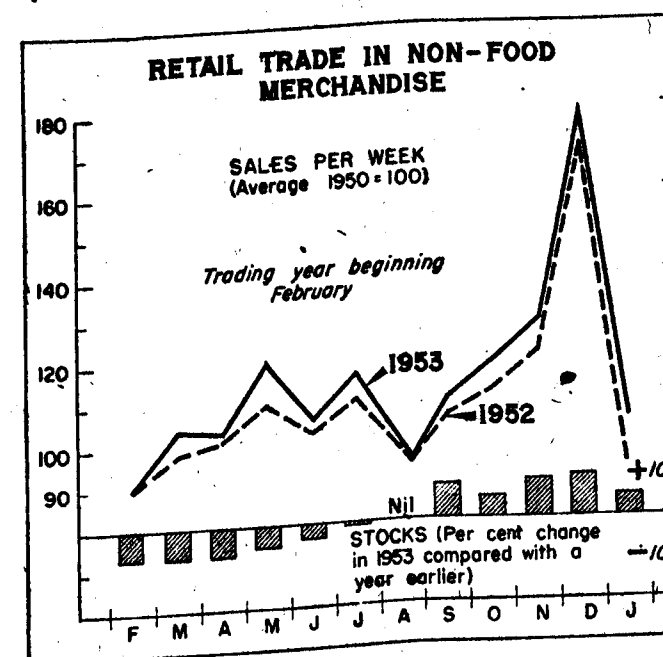
IN the first two months of the International Sugar Agreement the spot price of raw sugar sold on the “free” world market was quite a little above the floor price of 3.25 cents a lb, f.a.s. Cuba. This month, however, the price has sagged, and on one day it broke through the floor to 3.24 cents a lb. The agreement is certainly helping to stabilise the price now, but it would be rash to assume that it can continue to prevent the surplus of sugar from breaking the market. It is argued, particularly in Cuba, the largest exporting country, that additional support is needed, and the government there is under increasing pressure to introduce the device of a single seller. But even in Cuba support for this device is not unanimous, for it is doubtful whether it could assist the country for long. To centralise Cuban sales might raise the price, but the single seller might become a single holder, accumulating stocks while other countries enlarged their sales at Cuba's expense. An incidental, but important, effect would be to jeopardise futures trading on the “world” contract in New York.

The International Sugar Council, which lowered the effective quotas of the exporting member countries by 15 per cent to a total of 3,930,000 tons in 1954, can now only make a further reduction of five per cent, equal to about 230,000 tons. Whether five per cent would be sufficient to bring supply and demand into balance is conjectural, partly

because the Council has withheld publication of its estimate of the requirements of the free market in 1954. But it is possible that a cut of that amount might be effective. Demand from several countries has been more active so far this year; India has announced its intention of buying 500,000 tons in the next twelve months, and Russia has come into the market for useful quantities. On the other hand, European demand for “free” sugar has been reduced by the bumper harvest of beet sugar in Europe, and Britain's domestic requirements from the free market have disappeared for some time, owing to the purchase of one million tons from Cuba and the expansion of supplies from the Commonwealth.

The March of the Multiples

NOW that figures for the retail year 1953-54 have been completed with the publication of the January returns, there can no longer be any doubt about the astonishing expansion of the multiple shops. The chart, which is based on the index of retail sales (1950 = 100) measures the sales of all the big shops together. Excluding food, their sales showed a small but comfortable improvement on 1952, when business was only beginning to gather momentum after the previous year's slump. There was an average improvement of roughly 5 per cent, while sales by the smaller independent shops rose by 4 per cent. Food



sales were up 7 per cent. Another sign of the return to normal was the rise in stocks. At the end of January they were up 5 per cent on the year; they had shown a drop of 9 per cent during 1952-53. The shops may not have intended to expand stocks to this extent, but the mild winter upset estimates of sales. Indeed, the size of stock may be the reason why deliveries from the wholesalers to the retailers in January were well below average, showing a drop of nearly 8 per cent on the previous January.

When the figures are broken down according to the type of shop the marked expansion of business by the multiple

shops emerges impressively. Taking all the non-food departments together, their sales were 6 per cent higher than in the previous year, while department store sales and those of the independent shops rose only 4 per cent and sales by the co-operatives only 3 per cent. In some departments the multiples' sales rocketed, while those of their competitors showed only a moderate improvement; in most cases the increases that they recorded were above average and the only fields where they are not yet so firmly established appear to be hardware, radio and electrical goods and chemists' goods, where the trade is dominated by the department stores and the small, specialists' shops together. In the food departments, the multiples have even matched the postwar expansion of co-operatives' business; both recorded increases of 7 per cent in last year's sales.

This expansion in the multiples' trade has been progressing steadily ever since supplies of consumer goods became easier to obtain. Their merchandising was hit especially hard by shortages and they had been operating in low gear almost uninterruptedly since 1939. But in 1952 their sales increased 3 per cent, in a period when those of the department stores dropped 3 per cent below their 1951 level and those of the co-operatives by 4 per cent. The multiple shops have thus been steadily advancing while much of the improvement recorded by their competitors during the last year has merely gone to make up the ground lost the year before. The managements of the other big shops are not blind to these developments, and this year should show what steps they are taking to combat the aggression of the multiples.

Progress of Synthetic Fibres

BY the end of this year, world capacity for the production of synthetic fibres, excluding rayon, should rise to some 655 million lb a year from about 472 million at the end of 1953. This compares with an estimated world output in 1952 of 320 million lb, which was itself almost twice the 1950 figure of 170 million. These estimates are published by the Commonwealth Economic Committee in its latest summary, *Industrial Fibres*. The largest relative increases in capacity are in Europe and Japan, although the absolute totals are still puny compared to that of the United States, where planned capacity at the end of last year was 373 million lb and should be 495 million, nearly five-sixths of the world total, by the end of 1954. Nylon still accounts for the bulk of world production and still enjoys an unsatisfied demand. Its use in staple form is growing steadily; of the total nylon capacity of 179 million lb in America at end-1953, staple fibre accounted for 43 million, compared with an output of 25 million in 1952.

In Britain, the production of pylon will treble to 30 million lb a year by the end of 1954, and will rise further next year when the former Bemberg plant at Doncaster comes into operation; production of the polyester fibre, “terylene,” now 1 million lb a year, should rise to 11 million by the end of 1955 and 22 million in 1956. British capacity for producing “ardil,” which is made from the natural protein of groundnuts, will remain at 20 million lb this year. Production in Germany, almost entirely of perlon (nylon 6), is expected to rise from 20 to 25 million lb by

the end of 1954, while production in France, again mainly of nylon, should double to 23 million lb. Japan, in contrast to other countries, is concentrating on the vinyl acetate fibres such as vinylon; its vinyl capacity should increase from 12 to 30 million lb a year by the end of 1954, while that of nylon and other new synthetics should rise by only 1 million to 7 million lb.

So much has been made of the threat of the newer synthetics to the natural fibres that it is well to remember that their production is still relatively small. The total capacity of 472 million lb at end-1953 is equal to about 18 per cent of world wool consumption, and less than three per cent of cotton consumption; it is equal to about 12 per cent of rayon output. Some of the newer fibres are meeting difficulties in use, but the greatest handicap to the expansion of these synthetics generally is price. The Committee points out that nylon staple, for example, costs upwards of four-and-a-half times the price of viscose rayon staple. Prices can no doubt be reduced as the scale of production increases, but substantial reductions can probably come only from the discovery of cheaper methods of obtaining their chemical bases.

The Law of Domicile

A NEW and simpler code of law governing the domicile of British subjects is proposed by the committee on private international law set up by the Lord Chancellor. In its report on Domicile* the committee shows that it has reached the conclusion that the laws of this country are unsatisfactory and that, subject to Commonwealth consultation and if possible joint action, those laws should be replaced. Such a change would be a matter of moment both to the Treasury and to the taxpayer for, although freedom of the subject to change his domicile has been much eroded this century, when it does occur it is increasingly important. Domicile governs liability for all death duties save those on landed property. It affects all income tax except tax on income originating in the country imposing the tax (and even part of that liability may be modified by double taxation conventions). Three aspects of the present law come under scrutiny.

(1) Domicile of choice: If a man moves from one country to another he may abandon his "domicile of origin" which came to him from his parents like the colour of his eyes and acquire a different "domicile of choice." The committee proposes that the question of whether in fact he has changed domicile shall in future be decided by a simpler test: Where does the evidence show that the man intended his home to be? "Home" is a difficult word to define; it is arguable that the committee has paid too much attention to the actual setting up of an establishment, and not enough to the underlying intention to become part of another state or community. But still the proposal is a big advance on the present mass of judge-made tests which by now have become almost artificial, particularly the assumption that a man who abandons his domicile of choice must have reverted to his domicile of origin.

(2) The domicile of a married woman is normally that of her husband. If the marriage comes to grief it is at present

* Cmd. 9068. Stationery Office. 6d.

difficult for her to break away from the domicile imposed on her by marriage.

(3) The legal doctrine of "renvoi" comes under scrutiny. This applies when the court of one country has to apply the property laws of another. It is a doctrine which has become as abstruse as a problem seen to infinity in mutually reflecting mirrors.

The proposal to simplify these doctrines will be welcome. Probably it cannot claim high priority in the parliamentary programme, but it is to be hoped that the Lord Chancellor will at least be able to find it a place on the conveyor belt.

DSIR's New Budget

IN contrast to the rather doleful note with which in recent years the annual reports of the Department of Scientific and Industrial Research have recorded its straitened financial circumstances, the 1952-53 report published this week is able to describe in some detail the considerably greater official support that has now been promised. Late last year the Government agreed that the department should be allowed to carry out the postwar development programme originally agreed upon in 1946 but postponed ever since. This programme includes:

An increase in staff (now about 4,000) by about 150 non-industrial and 50 industrial staff a year from 1954-55 onwards for five years (an increase of 80 was sanctioned for 1953-54).

A gradual increase in income, to bring DSIR's income to about £6 million a year by 1959, plus capital expenditure during the five-year period of "rather more than £6 million." The benefit of increased income will be rather more than the bare figures show, since during the period DSIR will cease to bear its present heavy financial responsibilities for nuclear research in universities.

A slight relaxation of control over DSIR spending; though its funds will continue to be voted annually by Parliament, there will be a provision that any shortfall of spending in any year of the programme may be made good in subsequent years.

Expansion in the current year has been concentrated upon the Mechanical Engineering Research Laboratory at East Kilbride and the Hydraulics Research Laboratory at Wallingford. A new Water Pollution Research station will soon be ready at Stevenage; work is soon to begin on adequate accommodation for the Radio Research Board, and on a new 1,300-foot tank for studying the design of ship's hulls and propellers at the National Physical Laboratory, which alone may cost some £2 million.

Calling for Cotton

LANCASHIRE spinners and the Liverpool market must be relieved by the Government's decision to allow the Raw Cotton Commission to sell "on call" the cotton that it will deliver against forward contracts after public trading formally ceases on August 31st. Until the end of October the Commission will supply contracting-in spinners with

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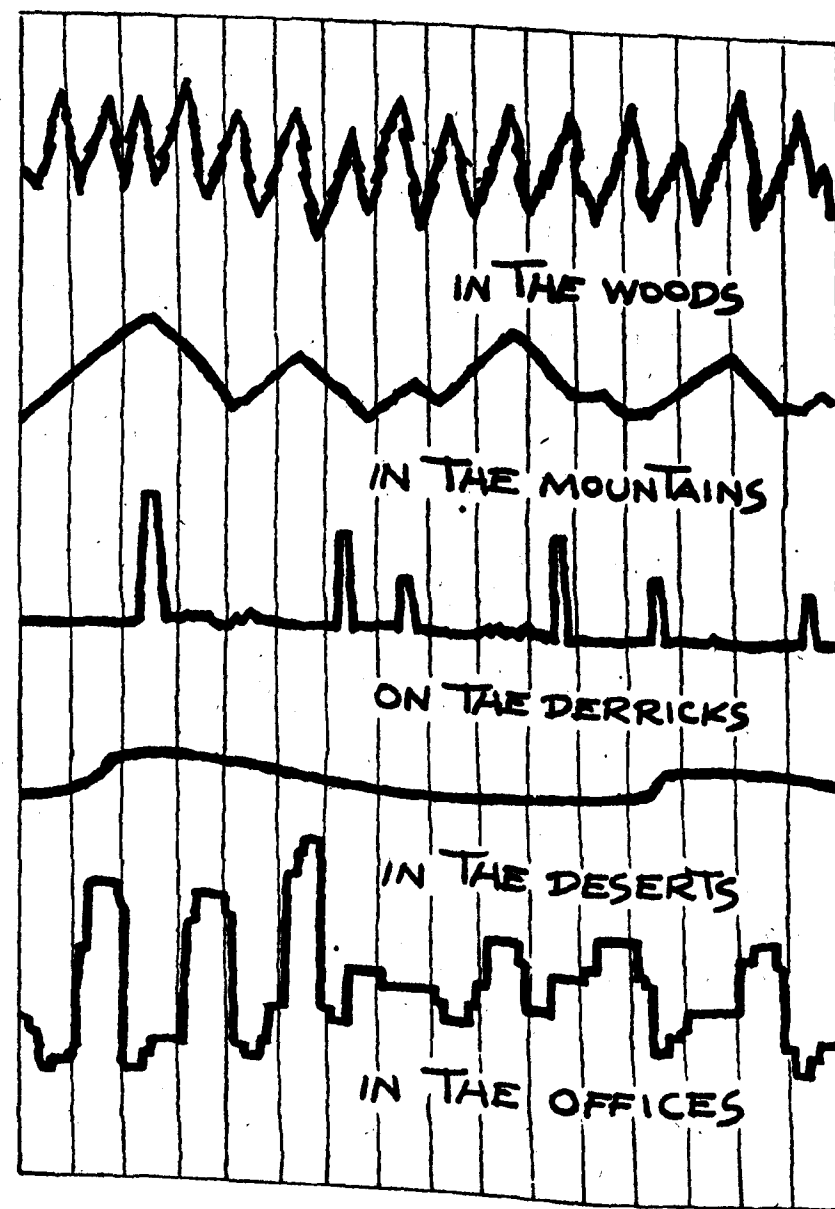
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most growths of cotton, provided they are available. After October it will supply those growths that are marketed early in the year, such as East African, Sudan and Peruvian, up to the normal dates of arrival of the new crops in 1955. By buying on call—that is, paying the price ruling on the day on which delivery is demanded—spinners will not need to hedge and the Commission will follow its usual practice of not hedging its stocks. This will appreciably ease the pressure on the Liverpool market, which will then be taking up the hedges transferred from the Commission's cover scheme. Public funds will still be exposed to the risk of a fall in the market price of cotton sold forward, but this risk seems justifiable for the specific purpose of smoothing the return to a free market.

The Commission intends to offer spinners the choice of two call bases: the price on the Liverpool market, or the sterling equivalent of the price on the New York market. Spinners may well prefer the Liverpool basis. The fear that the United States may introduce an export subsidy on the next season's crop is still widespread, and the Liverpool market would tend to fall by almost the full extent of that subsidy. The New York market, on the other hand, would be much less affected, and might even rise a little. To the British Government an export subsidy would be a mixed blessing, for it would tend to depress export prices of all growths, particularly American-type cotton grown outside the United States. Hence the Commission's loss in selling to spinners who called on the Liverpool basis would be larger than the loss, or possible gain, on sales called on the New York basis. That may explain why the Government has given spinners the option of continuing to price the cotton they call on New York. But it is difficult to see why spinners should choose that option.

"Indicator" for Tanker Freights

IN pricing petroleum products, the "freight element" in oil costs has obviously to be taken into account; but the fluctuations of tanker freight rates, particularly in the spot market for voyage charters, make this element particularly hard to assess. Last year the major oil companies abandoned the "award" system of calculating this freight element, which had been based upon a six-monthly assessment of a notional time charter rate by a panel of London tanker brokers. The Shell group has now asked the panel to prepare quarterly a new tanker freight "indicator," upon a rather less subjective basis.

The new "average freight assessment" is to be a weighted average of the charter rates, long-term as well as short-term and spot, at which all tankers in world service are trading (except in certain special trades), all company-owned tankers being included at the long-term rate. This is a more formidable statistical undertaking, but if properly constructed should provide a more accurate index of the general level of freights at which oil is being carried during any quarterly period. The great majority of independently owned tanker tonnage in the world is in fact on long-term charter for periods of five to ten years or even longer, so that the new weighted assessment should retain considerable stability, even though it also takes account of rapid fluctuations in the marginal short-term market. Since some 90 per

cent of the world tanker fleet is either owned by the oil companies or on long-term charter, the weighting of the indicator may be a less difficult task than might appear, and the indicator a more useful measure for petroleum pricing.

Issues from the Trusts

SEVERAL investment trusts have taken advantage of the lifting of the ban on trust issues to offer small quantities of equities to the public and to place debentures privately. The capital sums involved have not been large; the biggest issue of equities recently was by Merchants Trust, which offered 37,500 £10 ordinary shares at £14 each. Five Scottish trusts in the Caledonian group, under the chairmanship of Mr T. P. Spens, have now come forward with their offer. The trusts intend to make "rights" issues of £10 ordinary shares, which later in the year will be converted into £6 of 5 per cent preference stock and £4 of ordinary stock. Until the conversion is made the shares will carry a dividend of 5 per cent; after that the directors anticipate that they will be able to maintain the current rate of dividend on the increased ordinary capital. The details of the separate issues are listed in the following table.

Investment Trust	No. of Shares Offered	Nominal Value	Issue Price	Current Rate of Dividend
Second Scottish Western	10,000	£10	£12	14%
Third Scottish Western	5,000	£10	£10	10%
Sec'd. Caledonian	5,000	£10	£10	10%
Third Caledonian	5,000	£10	£10	10%
Second Clydesdale	5,000	£10	£14	17%

The particular interest of these issues is that the directors have stated that the new money will be used to extend the trusts' portfolios of United States securities. Since the war, the Scottish trusts have bought more heavily of the limited supply of dollar stocks available to British residents than most other investors, the London trusts not excluded. In one group, at least, their faith seems unshaken, in spite of the running off of the dollar premium. The reasoning behind the present flow of new trust issues obviously is first that the removal of the Treasury ban is tempting, second that the amounts involved are small, and third that on the new money it should be possible to maintain the trusts' existing rates of dividend. Evidently, there are some judges who hold that Wall Street's resumed advance has not carried it to the top of a bull market.

Steel versus Aluminium

ABOUT half the aluminium used in the world may be counted as competitive with steel and iron castings, but the amount of iron and steel "displaced" is probably

less than 2 per cent of world production. Such is the estimate of the Economic Commission for Europe, in a study "Competition between Steel and Aluminium" published recently. The report notes that the most significant area of competition between the two metals is in thin flat products; but even here competition extends over only about 3 per cent of total world consumption. In 1953, about 2.6 million tons of aluminium were produced, and over half a million tons of secondary aluminium produced from scrap. By 1960, on published plans, primary aluminium output may rise to some 4½ million tons—compared with an estimate of about 310 million ingot tons for steel.

Competition from aluminium is likely to increase, the commission suggests, in

- (i) motor vehicles, particularly the economical models built in Europe, probably in body sheet as well as in engine and chassis castings; it is already being used to an increasing extent in bodywork for lorries and buses;
- (ii) building and civil engineering, particularly in pre-fabrication and scaffolding, but also in roof coverings and window frames.

But the economic use of aluminium in containers is already at a peak, while potential increases in aluminium rolling stock for railways may be limited by a "somewhat conservative approach to design." A continued growth in its use seems likely for kitchen equipment and furniture—probably at the expense of sheet steel.

Essentially the question is one of price; the difference has narrowed over the last 30 years until aluminium is now about twice the price of steel, volume for volume. It may narrow further, though more slowly. But the capital cost of producing aluminium, volume for volume, is about four times that of producing steel. This may enable aluminium producers to pursue a more flexible price policy than steel producers in times of recession. But, it means that substantial reductions in other items of cost, such as electric power, will be needed to make aluminium more competitive in price.

Another Steel Sale

THE Iron and Steel Holding and Realisation Agency has announced its eighth disposal of shares in a nationalised undertaking. Half the capital of Darlington and Simpson Rolling Mills has been sold back to its original owner Crittall Manufacturing Company (the window-frame makers) on a no-profit no-loss basis. The remaining half is owned by the still nationalised Dorman Long and Company. Before resale the capital of Darlington and Simpson was reorganised. When nationalised it consisted of £350,000 5½ per cent first preference stock, £350,000 6 per cent second preference stock and £380,000 ordinary stock. For these stocks (excluding Dorman Long's half of this equity) £1,196,333 compensation was paid. Now the preference stock has been eliminated. There is £600,000 of ordinary stock and £700,000 5 per cent debenture stock. Crittall Manufacturing bought half the equity for £311,125, the same price as they were paid in 1951.

In exchange for its preference holding the Agency received £185,208 in cash and the debenture stock which

*Available through Stationery Office, 9s.

will be sold. Assuming they obtain no better than par for the debenture the transaction will yield £1,196,333, the same price as was paid. The other half of the equity does not enter the calculation. It was taken over as part of Dorman Long and will presumably be sold in the same way. It is worth recalling that the agency's first sale was also the return of a part interest in a nationalised steel company to a consumer of its products. Last autumn British Ropes bought back their interests in Templeborough Rolling Mills. That transaction, like others, showed a profit to the Agency. Now apparently it is prepared to deal at approximately the nationalisation price.

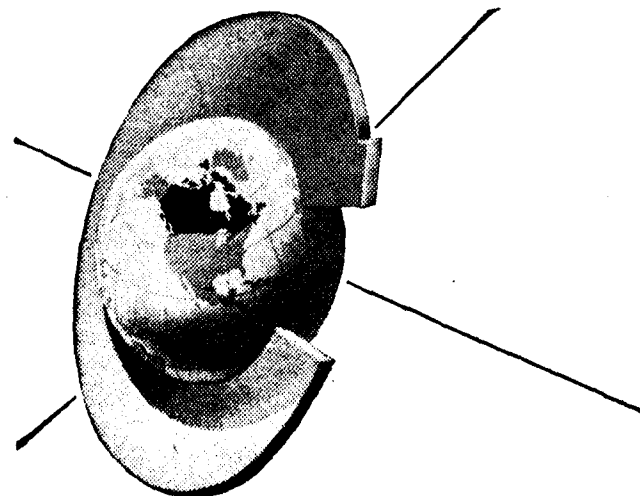
Microbus versus Dormobile

RATHER in the way that British ballet dancers once found it essential to adopt Russian names before they could expect acclaim, it seems that distinction in a German-built vehicle may achieve recognition more easily than in a British. The Volkswagen "Microbus De Luxe" is a case in point. This excellent variation on the brilliant Volkswagen car, which is now available on the British market, has received much favourable publicity. With a kerb weight of 21½ cwt, an air-cooled flat four engine of 1,192 cc, developing nearly 30 bhp, the roomy vehicle will carry eight persons at a maximum speed of 50 mph, and a petrol consumption claimed, no doubt reasonably, to be 30 mpg. Import duty and purchase tax, which together amount to some £400, build up the selling price in Britain to the formidable total of £979.

But is this so much better a technical accomplishment than the "Dormobile" 12-seater on the Vauxhall Wyvern chassis? This fairly new vehicle, with a body developed and built by Martin Walter of Folkestone, has the Vauxhall 4-cylinder engine of 1,507 cc developing 40 bhp, with a maximum speed established in a road test by *The Motor* of 58.6 mph, and a petrol consumption (mean of mpg at steady speeds of 30, 40 and 50 mph) of 38.5 mpg, and of 25.3 mpg on 516 miles of road testing. The body can easily be converted into roomy sleeping quarters for two; the kerb weight is 22½ cwt. If the motor industry awarded "Oscars," the Dormobile would surely have as strong a claim as the Microbus. Moreover, owing to the peculiarities of British taxation, the Dormobile, as a 12-seater, ranks as a public service vehicle and suffers no purchase tax, so that its retail price in the home market is no more than £545. But even in neutral markets, where the price comparison is not vitiated by such artificial factors, there seems little reason to expect the German to be preferred to the British product.

Fall in Raw Jute

THE fall in raw jute prices in Pakistan has not yet been checked; firsts are now being offered at about £88 a ton, c.i.f. Continent, compared with about £102 a ton in mid-January. The decline was set off by selling pressure from speculators, who apparently considered that foreign



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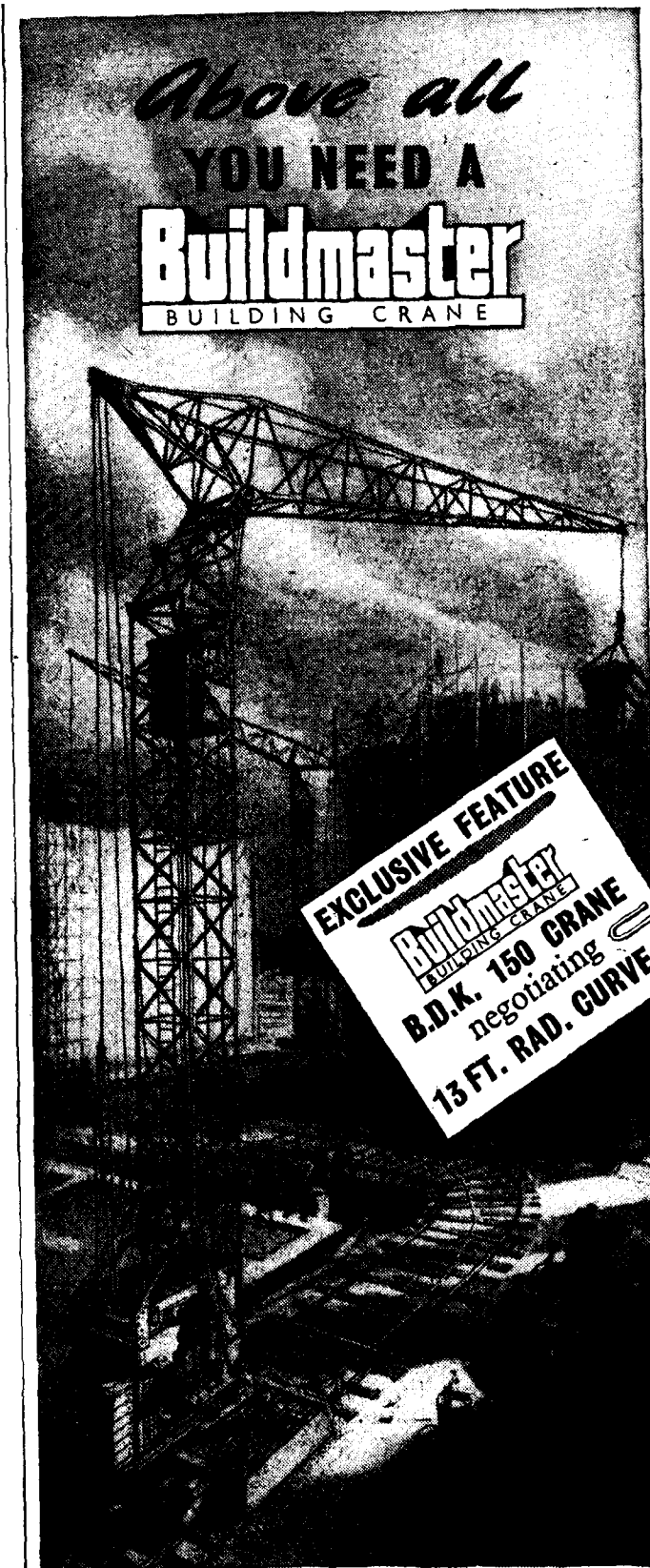
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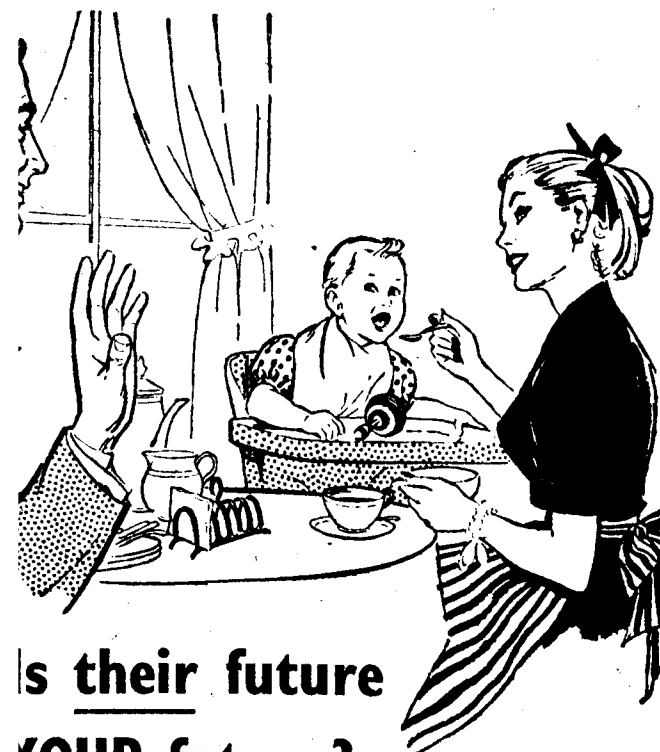
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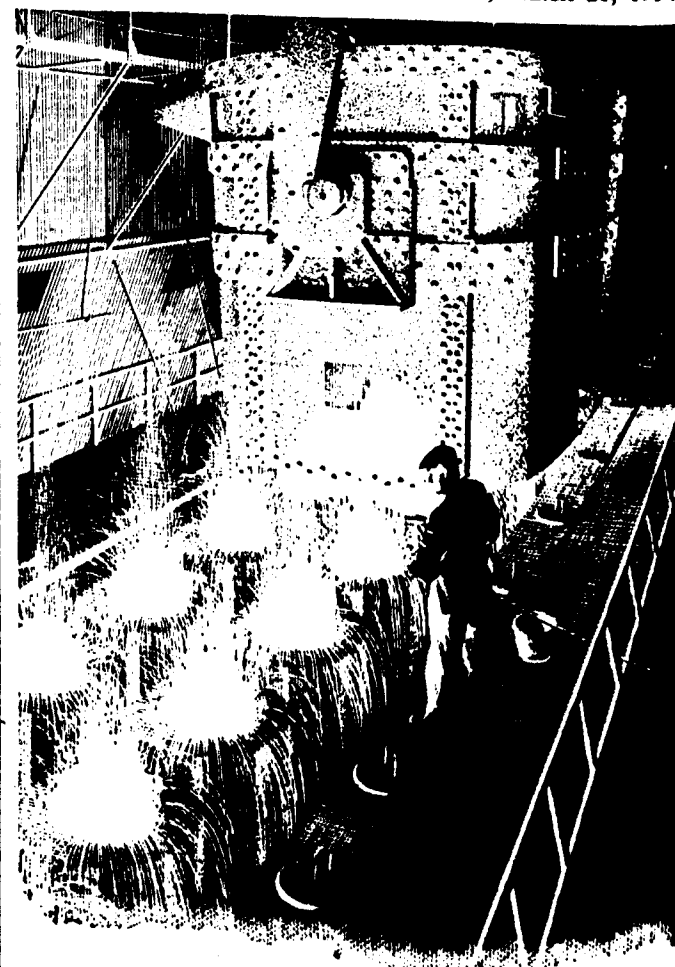
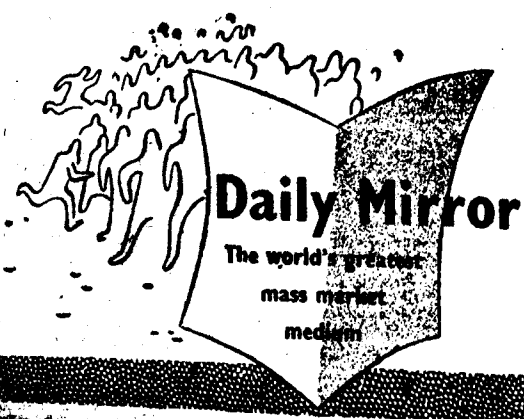


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demand for hessian cloth in the Calcutta market for jute goods was disappointing, and realised that a shortage of raw jute is unlikely this season. It was accentuated by the report that Pakistan intended to produce 6 million bales of jute next season, although the later official figure of 4.2 million bales steadied the market for a time. Though the Calcutta mills are well sold forward, the goods seem to have moved mainly into the hands of local speculators, who have recently been re-selling to American and other consumers at prices below those asked by the mills. European mills are thus finding it even more difficult to compete with Indian goods in world markets, so that the demand for raw jute has fallen. In addition, the Jute Control in Britain has bought little from Pakistan since the announcement that imports of raw jute are to be restored to private trade.

The future course of raw jute prices seems to hinge on two main uncertainties. One is the demand from India, which is believed to be fairly short of the qualities obtainable only from Pakistan. The other is the size of the 1954/1955 crop in Pakistan. The government may wish to reduce the planned output of 4.2 million bales if prices fall much lower, but it would probably be difficult in practice to restrict further what would in any case be one of the smallest crops on record. Of greater importance is the weather during the growing period of the next few months. The official estimate of the current (1953/54) crop is 2.5 million bales, although private sources maintain that the actual output will be about 4 million bales. The carry-over in Pakistan at the end of June is tentatively estimated at about 900,000 bales, and the Indian carry-over at about 1.3 million, of which stocks at the mills would account for

some 900,000 bales. It is thus unlikely that supplies will be tight between the two crops, unless Indian demand for Pakistan jute proves to be unexpectedly good.

Mr Funston's Visit

LAST week's visit of Mr Keith Funston, president of the New York Stock Exchange, to London, was a social occasion. It included lunch with the Stock Exchange Council and a courtesy call at the Bank of England. Wall Street's happy habit of having a highly paid non-broker chairman makes such liaison visits by a man of broad views worthwhile; Mr Funston also visited Cambridge, and the financial centres of Amsterdam, Brussels, and Paris.

In Amsterdam there was a business occasion for the visit. Royal Dutch is being listed in Wall Street. Mr Funston would like also to encourage two-way traffic in investment between the London and New York financial markets which might involve the listing of some London securities. No formal listing in London of American securities is needed since London stock exchange members are entitled to deal in securities listed on any recognised stock exchange. But any hope of increased traffic must still be deferred. The two per cent British stamp duty is an obstacle to any measures designed to encourage Americans to undertake increased portfolio investment in British companies except for a few shares like Shell, which are

British Shipping and Overseas Trade

DURING 1952 the net earnings of foreign exchange by British shipping amounted to £221 million, compared with some £60 million in 1947. This is the conclusion of the second postwar inquiry of the General Council of British shipping, published last week. The General Council counts freights earned on export and cross-trade shipments against all shipping disbursements abroad, thus excluding, as a transfer between British pockets, the £218 million paid in freights on import shipments. Its figure of net earnings is not comparable with Government

figures of invisible earnings for shipping, since these exclude the earnings of tankers and include payments by foreign ships in British ports.

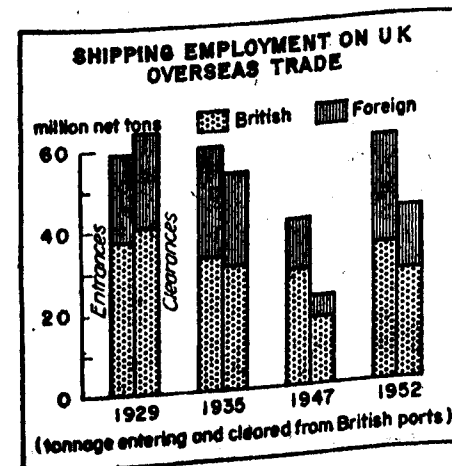
The growth in tanker operations since the war, incidentally, is largely responsible for the fact that nearly half the gross earnings of British shipping in 1952 came from trades not touching the United Kingdom, compared with just over a third in 1936. The Liverpool Steamship Owners' Association in its annual report this week, has published the fourth of its analyses of the employment of shipping in British overseas trade, also for the year 1952.

As the charts show, the tonnage of shipping entering British ports in 1952 with cargo (not the actual tonnage of cargo) was much the same as before the war, but the tonnage cleared with cargo was substantially lower. This fall reflects mainly the decline in coal exports, once the main employment of British tramp shipping; and the fact that the tankers that swell the total of entrances into British ports often depart in ballast.

British ships carried about 60 per cent of the country's imports and exports, less than in 1929 but about the same as in 1935; the postwar decline since 1947 reflects the resurgence of foreign shipping competitors—though in 1952

Germany and Japan were still virtually non-existent as competitors in the United Kingdom trades. Since then, competition has sharpened.

Changes in the significance of the different trades to British shipping since before the war are illustrated in the second chart. These changes reflect mainly the altering pattern of British trade—but also the extent to which British ships have been able to participate in it. British ships still make up nearly 90 per cent of all the tonnage using Commonwealth ports, and have broadly maintained their share of total trade elsewhere, though not of trade from the oil areas of the Middle East.



available in bearer form but have to be placed with an authorised depository; and the interest which British residents may take in American securities is limited by the present exchange control rules which only permit investment in dollar securities of dollars resulting from the sale of other dollar securities.

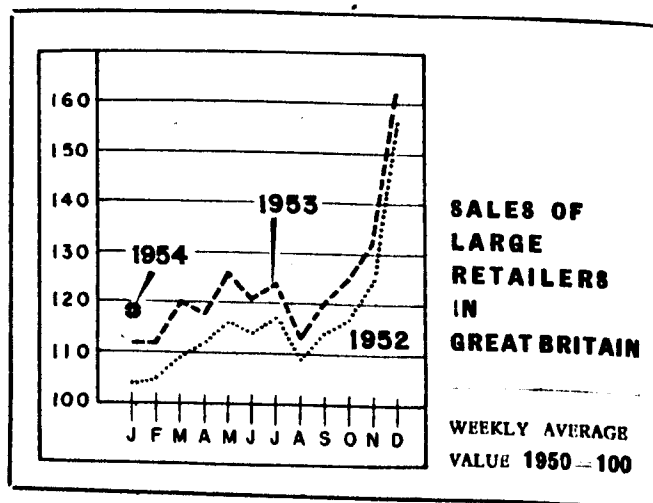
Investment in India

THE annual report of the National Bank of India confirms the experience reported by the other eastern "exchange" banks in 1953. The continued weakness of most commodity prices has eaten slightly into the bank's advances and profits; its dividend is maintained at the recent rate of 16 per cent. Moreover, Mr J. K. Michie, the chairman, states that while the claims of shareholders are always in the board's mind he "could not encourage" any expectation of the same rate being maintained on the larger capital that the board proposes to issue by capitalising £570,000 from reserves.

Mr Michie shows considerable satisfaction however with the economic trends in the countries in which the bank is mainly interested—and particularly in India, Pakistan and Ceylon. He considers that the "outstanding achievement" in India had been the increase of five million tons in food production, and also emphasises the benefit of the remarkable recovery in tea prices to India's economy. But he shows some caution in his observations on capital investment in India. While he welcomes the projects sponsored by the Government and the International Bank he opposes any direct participation by the banks in long-term investment schemes.

Buoyant Small Savings

THE improvement in small savings that began last year has now become more marked. In the first nine weeks of 1954 new savings exceeded withdrawals by £27.9 million.



This is indeed the season in which the public makes good its thriftless pre-Christmas habits; but the net saving in savings certificates, the post office and trustee savings banks and defence bonds in this period was this year the highest since 1949, and compares with a surplus of only £7.0 million in the first nine weeks of 1953 and £2.0 million in 1952. It is particularly encouraging that a specially good showing is now being made by the savings banks' net deposits, which a year ago were lagging considerably behind the recovery in net sales of national savings certificates. New deposits in the post office savings bank alone increased by £4.5 million in the first nine weeks of 1954—whereas they declined by £10 million in the equivalent period of 1953. It seems that the deterrent effect of the tax probe has lost its force. There is still a shortfall of £66.8 million in new savings as against repayments in the current financial year which began on April 1st; but this is nearly £46 million smaller than in the same part of the previous financial year, and is indeed the lowest gap recorded at this period of the year since 1949. Commenting on this revival, Lord Mackintosh, the chairman of the National Savings Committee, pointed out that the total of national savings now exceeds £6,000 million, representing about £120 a head of the population.

SHORTER NOTES

Shell's new refinery at Geelong, near Melbourne, was opened on Thursday by the Governor-General of Australia, Field Marshal Sir William Slim. The refinery has a capacity of 1½ million tons a year and will be fed with crude from the Middle East and British Borneo. A "cat cracker" will be added during the next fifteen months, with a capacity of 650,000 tons a year. The two stages at Geelong will cost about £A20 million—an appreciable slice of present expenditures by the oil industry in Australia which involve about £100 million and include the new Anglo-Iranian refinery at Kwinana.

A cinema full of shareholders—which Sir Eric Bowater proudly called "one of the largest attendances at an annual general meeting of shareholders ever held in this country"—this week heard him announce that the group intended before the end of the year to capitalise £1,800,000 of capital reserves by distributing one new £1 ordinary share for each £3 of ordinary capital. The new capital resulting from the exercise of options will rank for this distribution. About 1,000 shareholders were brought by special train to attend the meeting, and afterwards were taken over their newsprint mill at Kemsley, near Sittingbourne.

A new stage is announced towards the resumption of normal trade relations with Persia. The Export Credits Guarantee Department is resuming insurance on exports to Persia. This credit insurance was stopped shortly

after the evacuation of Abadan and held in abeyance while diplomatic relations were broken. A small trade with Persia continued without insurance cover. Insurance is now resumed with a "ceiling" on the department's total liability. The ceiling figure is not disclosed, but it is related to the government's total insurance liability on Persian trade not to any group of commodities. There is also a limitation about terms of payment. This is not an unusual type of limitation for the department, which is always ready to look with more favour on a "cash against documents" deal than on 90-day credits.

Technicians of the North-Western Gas Board, after two years' experiment with a process patented 30 years ago but never carried beyond the experimental stage, have

doubled the rate of carbonising coal for gas-making in pilot plants at Partington and Rochdale. The method consists of injecting gas into the base of the standard vertical retort during carbonisation; it seems possible that it may enable low-grade coals, normally considered unsuitable for gas-making, to be carbonised.

"The tonnage or orders on hand is lower than at any time since the end of the war and has fallen by one-third over the last two years," said Sir Ellis Hunter last week at the annual meeting of Redpath Brown, the structural engineering subsidiary of Dorman Long. This experience, he added, was common to the structural engineering industry as a whole; and though the rate of ordering improved slightly late last year, the industry has little cushion left to protect it from any further recession in trade.

Company Notes

INTERNATIONAL NICKEL. The International Nickel Company of Canada is a giant, delivering almost as much copper as it does nickel. Last year the company again established new records in production and deliveries; the value of its net sales advanced from \$314½ million to \$338½ million. While the price of nickel remained steady, demand remained strong; there was some falling off in the demand for military, atomic energy and stockpile requirements (which take about half of the free world's supplies) but there was still a shortage for civilian purposes.

	Years to Dec. 31,	
	1952	1953
Mined ore:—	Tons	Tons
Underground	10,198,068	11,095,199
Surface	3,052,525	2,571,896
Total	13,248,593	13,667,095
Metal deliveries:—	lbs.	lbs.
Nickel	249,017,358	251,417,772
Refined copper	234,323,432	234,349,415
Mill and foundry products	92,350,688	99,491,148
	Ozs.	Ozs.
Platinum metals	287,135	270,562
Gold	42,396	38,410
Silver	1,076,327	1,106,733

Thanks, however, to further increases in the cost of labour and materials and to an increased provision for depreciation (reflecting in part the switch over from surface to underground mining) net earnings fell—from \$58.9 million to \$53.7 million. Earnings on the common shares were thus reduced from \$3.90 to \$3.54 a share and the dividend was cut from \$2.60 to \$2.35 a share. The dividend has thus been reduced by rather less than the fall in earnings.

Further than that the company could hardly go. Plans for development still require the backing of ploughed back profits. Last year the group spent \$21 million on capital account and this year it will spend over \$30 million. Among the

developments planned is the erection of a plant for the recovery of nickel and high grade iron ore from pyrrhotite; ultimately

	Years to Dec. 31,	
	1952	1953
Consolidated earnings:—	\$	\$
Net sales	314,228,747	338,579,995
Costs and expenses	197,256,199	223,480,742
Operating earnings	116,972,548	115,099,253
Total income	118,962,585	117,369,902
Depreciation	10,461,438	12,854,560
Taxation	43,598,993	43,945,837
Net profit	68,891,282	63,694,628
Earnings per common share	3.90	3.54
Dividends per common share	2.60	2.35
Retained profits	19,054,144	17,501,930
Common share at \$08½ yields 6½% p.a.		

the company expects to recover one million tons of iron ore a year. The development programme is backed by a contract with the United States government to deliver 120 million lb of nickel and 100 million lb of electrolytic copper between the beginning of this year and the end of 1958. They are also based on the continuing process of exploration; at the end of last year proved ore reserves stood at 261½ million short tons, compared with 256½ million at the end of 1952.

This year International Nickel expects to work at full capacity and to sell all the nickel it can produce. The demand for nickel is still inflated by the needs of the rearmament programme. In the longer term it has to face the prospect of a fall in these demands and the need to sell in the civilian market when, to quote the chairman, "the world will have at its disposal nickel from new producers as well as increased amounts from established producers."

MELLOR BROMLEY. Mr Charles Clore has the habit of lobbying thunderflashes through the windows of board rooms, making the directors sit up

and take notice. Recently his thunderflash exploded in the board room of Mellor Bromley, manufacturers of knitting, dyeing and finishing machines. Acting through Bentley Engineering, which also builds hosiery machinery, he and his associates in Investment Registry made first an offer of 11s. 6d. for each of Mellor Bromley's 2s. ordinary shares and then raised their bid to 15s. The directors of Mellor Bromley decided to fight back and turned down the offer.

They chose the obvious weapons of retaliation. The ordinary dividend is to be increased from 36½ per cent to 55 per cent and £300,000 is to be capitalised from reserves so as to make a 100 per cent share bonus. In a long statement they point to the expansion of the company's earnings and assets over the last five years and add that net profits in the year to February 28th last amounted to about £515,000, compared with £487,871 in 1952-53; these earnings, they explain, cover the new dividend of 55 per cent about three times.

The directors then own up to conservatism in the past; their critics would argue that this conservatism was excessive. They state that they "consider it their duty not to assist bidders to reap rewards of many years' progress by taking advantage of the circumstance that shares stood at a low price because of conservative dividends paid. They are now in a position to adjust the situation because they consider that capital expansion of the group has now reached a stage when it is no longer essential to plough back such large sums year by year, and because they have faith in the continued earning capacity of the group."

Two questions can be asked about this statement and dividend decision. Would it have been made if Mr Clore had not been pressing? And does it kill the possibility of a bid altogether? At least it did not hoist the shares above Mr Clore's 15s. bid. After the directors' statement they rose 1½d. to 14s. Mr Clore has still not disclosed whether he will make a direct bid to the shareholders.

BRADFORD DYERS. The directors of the Bradford Dyers' Association have shown some imagination in the layout of the company's conventional accounts, spotlighting the important accounting ratios. But the accountant's efforts have not been backed up either by a directors' report or chairman's statement explaining what these figures mean in terms of industrial progress, and share-

	Years to Dec. 31, 1952	1953
Consolidated earnings:—		
British profits	1,084,064	1,672,135
Overseas profits	1,032,901	725,385
Total trading profit	2,116,965	2,397,520
Total income	2,216,560	2,757,399
Depreciation	542,897	538,962
Replacement reserves	246,850	251,291
Taxation	527,378	772,524
Net profit	492,222	600,792
Ordinary dividends	118,588	186,350
Ordinary dividends (per cent)	10	15
Retained by subsidiaries	224,082	48,601
General reserve	50,000	100,000
Added to carry forward	32,639	5,735
Cons. balance sheet:—		
Fixed assets, less depreciation	3,843,405	4,094,977
Net current assets	6,955,924	7,627,823
Stocks	3,100,568	2,686,986
Cash	2,742,288	3,426,077
Reserves	3,692,472	4,542,564
Ordinary capital	2,258,794	2,258,794

£1 ordinary share at 35s. 0d. yields £8 11s. per cent.

holders will have to wait for the speech of Mr James Ewing at the meeting. It should be important because Bradford Dyers, acting largely on commission, occupies a dominant place in the dyeing sector of the textile industry, and has increased its dividend from 10 per cent to 15 per cent.

Meanwhile shareholders are left to draw their own conclusions from the fact that while trading profits earned in Britain have risen from £1,084,064 to £1,672,135 profits earned overseas have fallen from £1,032,901 to £725,385. The advance in profits at home is some measure of the recent recovery in the textile industry; indeed, part of the company's capacity at

home may have been hard pressed to meet all the demands made upon it. But does the decline in overseas earnings mean, for example, that the company's subsidiaries ran into trouble in Canada? And surely shareholders deserved a fuller statement on the appropriation of £400,000 to write down the book value of shares in subsidiary companies than the meagre reference that this appropriation eliminated "the amount by which the cost of shares in certain subsidiaries exceeded the nominal value of the shares." Why, moreover, did the book value of stocks fall (from £3,100,568 to £2,686,986) when there is every sign that the factories at home were more fully employed than they were in 1952?

SWAN HUNTER. The order books of the shipbuilding industry are now beginning to thin out, and, to judge by the preliminary report of Swan Hunter, its profits are beginning to thin out too. Swan Hunter's profits fell last year from £2,529,830 to £2,184,868. The boom in shipbuilding is over and buoyant profits can hardly be expected in the period of technical and commercial adjustment which must follow. In spite of the decline in net profits (by £127,199 to £1,028,273) Swan Hunter has raised its ordinary dividend. The latest full year's dividend is 20 per cent. In 1952 the company paid a full year's dividend of 18 per cent; but it also paid a special jubilee bonus of 10 per cent. The directors evidently meant what they said when they described the jubilee bonus as a once and for all payment.

This year there is to be a 100 per cent bonus issue, and the directors have given a warning that it does not imply an increase in the amount of the equity dividend. The market assumed that the directors again meant what they said, and the £1 ordinary stock units were marked down 2s. 6d. to 63s., to offer a yield of £6 7s. per cent.

THE ECONOMIST, MARCH 20, 1954 LONDON STOCK EXCHANGE

Next Account begins: March 31st.
Next Contango Day: March 31st.
Next Settlement Day: March 23rd.

The stock market again had a cheerful appearance this week. The centre of interest was the gilt-edged market where the advance in prices was helped by the savings figures, the latest Exchequer returns and the continued investment of the £72 million paid out on maturing war bonds on March 1st. Most of the demand was for the undated and very long dated stocks, and by the close on Wednesday old Consols had risen to 64½ and Gas Stock (1950-95) to 86½. The strength in the Funds was also reflected in the demand for Corporation issues and on Wednesday the new Glasgow went to a premium (of ½) for the first time since its issue. The outstanding feature of the foreign market was again the advance in the German loans, on further reports of Swiss buying.

Immediately after the weekend some industrial equities were unsettled by end-account selling and tobacco, store and textile shares tended to give way. Engineering, paper and shipping shares, however, continued to advance and once end-account selling had dried up most of the other groups began to improve again; in particular, textile shares made a good showing on the first day of the new account. By the close on Wednesday, the Financial Times ordinary share index had risen to 137.6, compared with 136.1 the week before.

The chief feature at the end of the old account in the oil market was the strength of Royal Dutch which rose to 41. On the first day of the new account interest switched to Anglo-Iranian which were marked up ¼ to 10½. Rubber and tea shares were quietly firm. At the end of the old account Kaffirs staged a good rally under the lead of the uranium issues and then on the first day of the new account some switching from the OFS developers to the older producers was reported.

FINANCIAL TIMES INDICES

1954	Security Indexes		Yields	
	Ord.*	Fixed Int.†	2½ Cons.	Ord.
Mar. 10...	136.1	111.90	3.92	5.35
" 11...	136.1	111.95	3.91	5.35
" 12...	136.9	112.03	3.90	5.32
" 15...	136.9	112.09	3.90	5.32
" 16...	137.3	112.49	3.88	5.31
" 17...	137.6	112.23	3.88	5.29
1954, High	140.2	112.47	Total Long-Term	
" Low	131.1	111.78	Mar. 10	9.579
	(Jan. 4)	(Jan. 5)	" 11	10.000
1953, High	131.5	112.55	" 12	10.167
" Low	(Nov. 4)	(Nov. 27)	" 15	12.058
	113.9	109.68	" 16	11.355
	(May 20)	(Jan. 5)	" 17	11.261

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Mar. 17		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Mar. 10, 1954	Price, Mar. 17, 1954	Yield, Mar. 17, 1954	Gross Yield, Mar. 17, 1954	Prices, 1954 Jan. 1 to Mar. 17		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Mar. 10, 1954	Price, Mar. 17, 1954	Yield, Mar. 17, 1954
High	Low							High	Low						
100½	99½	Exchequer 2½% 1955	100½	100½	100½	1 1 5	2 3 7	48/6	41/4½	12½	STEEL & ENGINEERING		45/3	45/6	6 11 10
102½	101½	Exchequer 3% 1960	101½	101½	101½	1 6 11	2 13 10	14/6	13/11½	15 c	15 c	B.S.A. £1	14/6	14/6	6 8 3½
100½	99½	Exchequer 3% '62-63	100½	100½	100½	1 13 3	3 1 2½	56/3	49/9	10 b	5 a	Guest Keen N'fold £1	53/6	56/-	5 7 2
99½	99½	Serial Funding 1½% 1954	99½	99½	99½	0 19 7	2 3 7	24/9	22/1½	2½ a	7½ b	United Steel £1	22/9*	22/9	7 18 3½
99½	99½	Serial Funding 2½% 1957	99½	99½	99½	1 4 11	2 7 2	55/-	47/6	12½ b	2½ a	Vickers £1	52/6	54/6	5 10 1
101½	101	Serial Funding 3% 1955	101½	101½	101½	0 14 10	2 7 4	37/10½	32/-	4 a	11 b	Bradford Dyers £1	36/-	35/-	8 11 5
100½	100	War Bonds 2½% '54-56	100½	100½	100½	1 3 10	2 9 11½	27/10½	24/9	12 c	6 a	Brit. Celanese 10/-	26/3	27/4½	5 16 11½
100½	100	Funding 2½% '52-57	100½	100½	100½	1 5 6	2 13 5½	56/6	49/4½	7½ b	5 a	Coats (J. & P.) £1	52/6	53/-	4 14 4
101½	100	Nat. Def. 3% '54-58	101½	101½	101½	1 6 0	2 12 4½	53/3	47/4½	6½ b	6½ a	Courtaulds £1	26/10½	26/10½	5 4 2½
102½	101½	War Loan 3% '55-59	102½	102½	102½	1 19 4	3 7 11½	69/3	64/-	20 c	10 b	Launce. Cotton £1	48/3	49/6	6 1 3½
97½	95½	Savings Bonds 3% '55-65	97½	97½	97½	1 14 7	2 17 11½				5 a	Patons & Baldwins £1	66/6	66/6	6 0 4
98½	97½	Funding 2½% '56-61	98½	98½	98½	2 3 8	3 11 7½	46/6	41/9	7½ a	7½ b	Assoc. Elect. £1	46/-	45/6*	4 8 11½
94	92½	Funding 3% '59-69	94	94	94	2 1 5	3 9 7½	44/-	38/-	10 c	2½ a	B.I.C.C. £1	41/-	40/-	5 0 0
95½	93½	Funding 3% '66-68	95½	95½	95½	1 18 0	3 16 2½	44/6	39/3	5 a	6½ b	English Elect. £1	40/-*	40/-	5 0 0m
102½	100½	Funding 4% '60-90	102½	102½	102½	2 4 8	3 13 2½	43/9	37/9	7½ b	3½ a	General Elect. £1	40/-*	40/-	5 12 6
92½	90½	Savings Bonds 3% '60-70	92½	92½	92½	2 3 5	3 15 9½	20/6	18/6	6½ b	3½ a	Bristol Aero 10/-	19/1½	19/1½	5 3 3
91½	90½	Savings Bonds 2½% '64-67	91½	91½	91½	2 0 1	3 15 9½	20/6	18/6	6½ b	3½ a	British Motor 5/-	6/7½	6/7½	8 1 6
103½	101½	Victory 4% '20-76	103½	103½	103½	2 6 1	3 15 3½	7/1½	6/3½	4 a	6½ b	De Havilland £1	28/4	28/7½	5 4 10
89½	87½	Victory Bonds 3% '65-75	89½	89½	89½	2 6 3	4 4 4½	29/3	26/-	7½ c	15 c	Ford Motor £1	42/9	44/9	3 7 0m
95½	93½	Consols 4% aft. Feb. '57	95½	95½	95½	2 4 9	4 1 4½	45/-	35/9	15 c	9 b	Hawker Siddeley £1	55/9	56/-	5 7 2
86½	84½	Conv. 3½% aft. April '61	86½	86½	86½	1 19 11	3 11 8	56/9	47/7½	6 a	25 c	Leyland Motors £1	82/6	82/6	6 1 3
99½	99½	Conv. 3½% 1969	99½	99½	99½	2 2 11	3 17 11½	97/-	80/6	25 c	25 c	Raleigh Ind. £1	35/6	36/-	5 11 1
64½	63½	Treas. 2½% aft. April '75	64½	64½	64½	2 3 11	3 17 9½	36/9	31/-	2 a	5 a	Rolls Royce £1	66/3	68/1½	4 8 1
75½	74½	Treas. 3% aft. April '66	75½	75½	75½	2 4 6	3 17 9½	70/3	66/-	10 b	12 c	Standard Motor 5/-	6/6	5/10½	10 4 3
94½	92½	Treas. 3½% '77-80	94½	94½	94½	2 4 1	3 16 11½	6/9½	5/5½	12 c	10 a	Boots Pure Drug 5/-	23/3*	23/9	4 4 3
94½	92½	Treas. 3½% '79-81	94½	94½	94½	2 3 9	3 13 10½	22/9	20 c	12½ a	37½ b	Burnham Oil £1	75/7½	74/4½	4 0 8
85½	83½	Redemption 3% '86-96	85½	85½	85½	2 4 8	4 1 9½	26/-	32/-	12½ a	5 a	Lyons (L.) "A" £1	100/-	100/-	4 10 0
86½	84½	War L'n 3½% aft. Dec. '52	86½	86½	86½	2 2 7	3 17 6½	36/6	32/-	17½ b	5 a	Marks & Spen. "A" 5/-	88/-	86/6	3 3 7
64½	63½	Consols 2½%	64½	64½	64½	2 5 9	3 14 5½	101/-	92/9	35 b	20 a	Woolworth 5/-	71/-	70/6	4 5 1
90½	88½	Br. Elec. 3% '68-73	90½	90½	90½	2 5 7	3 14 7½	88/6	73/10½	20 a	40 b	Anglo-Iranian £1	10½	10½	3 5 11
89½	87½	Br. Elec. 3% '74-79	89½	89½	89½	2 1 4	3 18 6½	71/7½	64/-	20 a	5 a	Burmah Oil £1	75/7½	74/4½	4 0 8
105½	103½	Br. Elec. 4½% '74-79	105½	105½	105½	2 3 9	3 16 11½	11½	8½	30 b	2½ a	Royal Dutch 100 £1	438½	440½	3 14 9
95½	93½	Br. Elec. 3½% '76-79	95½	95½	95½	2 6 1	3 15 4½	76/4½	66/10½	12½ b	4 a	Shell Reg. £1	100/-	103/9	5 5 2
86½	83½	Br. Trans. 3% '78-88	86½	86½	86½	2 5 10	3 18 6½	44½	43½	12½ b	5 a	Trinidad L'holds 5/-	20/-	19/9	4 12 1½
90½	88½	Br. Trans. 3% '68-73	90½	90½	90½	2 2 3	3 14 6½	104/9	93/4½	10½ b	15½ b	Cunard £1	40/-	42/-	7 12 5
102½	100½	Br. Trans. 4% '72-77	102½	102½	102½	2 3 6	3 13 11½	20/7½	17/6	5½ a	6 a	P. & O. Def. £1	78/6	82/6	4 17 0
86½	84½	Br. Gas 3% '90-95	86½	86½	86½	2 2 3	3 14 4½	42/9	37/9	13½ b	14 b	Royal Mail £1	33/6	33/6	5 19 5½
98½	96½	Br. Gas 3½% '69-72	98½	98½	98½	2 1 5	3 17 4½	83/-	62/6	10 c	10 c	Assoc. Port. Com. £1	72/-	72/6	4 2 9*
102½	99½	Br. Gas 4% '69-72	102½	102½	102½	2 1 5	3 17 4½	34/9	32/-	15 c	16 c	Bowater Paper £1	46/3*	46/10½	6 16 6

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 5s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 Jan. 1 to Mar. 17		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Mar. 10, 1954	Price, Mar. 17, 1954	Yield, Mar. 17, 1954
High	Low	High	Low			
92	84½	Aust. 3½% '65-69	91½	91½	91½	4 0 0½
95½	91	N. Zealand 3½% '62-65	95½	95½	95½	3 16 4½
99½	93½	S. Africa 3½% '54-59	98½	98½	98½	3 16 9½
73½	66½	L.C.C. 3% aft. 1920	72½	73	73	4 2 2½
96½	90½	Liverpool 3% '54-64	95½	95½	95½	3 10 0½
94½	88½	P.L.A. 3½% '66-71	94	93½	93½	4 0 10½
104½	101½	Agric. Mort. 5% '59-89	102½	103	103	4 6 5½
77½	66½	Austria 4½% '34-59	79	80	80	4 4 5½
21½	8	Chinese 5% 1913	18	18½	18½	NH
74½	49½	German 5%	79½	80	80	
102½	65	German 4%	115½	116½	116½	
139½	119	Japan 5% 1907	147	149	149	

Prices, 1954 Jan. 1 to Mar. 17		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Mar. 10, 1954	Price, Mar. 17, 1954	Yield, Mar. 17, 1954
High	Low							£ s. d.
BANKS & DISCOUNT								
46/-	42/3	9 a	9 b	Barclays £1	44/6	44/-	4	10 11m
62/6	58/9	6 a	8 b	Lloyds "A" £5 £1 pd.	61/-	61/-	4	11 0
81/6	74/10½	8 a	8 b	Midland £1 fully pd.	77/-	77/-	4	3 1
81/-	72 7/8	8½ a	8½ b	N. Prov. "B" £5 £1 pd.	74/6	74/6	4	11 3
90/-	79/9	9 a	9 b	Westminster £4 £1 pd.	81/-	81/-	4	8 11½
100/-	92/-	7½ a	17½ b	Alexanders £2 £1 pd.	95/6	95/6	5	4 8
45/-	40/10½	5 a	5 b	Nat. Disc. £1	42/-	43/-	3	9 9½
51/6	44/6	5 a	5 b	Union Disc. £1	46/-	46/-	4	6 11½
41/-	38/-	7 a	7 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	44/-	43/-*	6	10 3
INSURANCE								
10½	9½	50 a	85 b	Leg. & Gen. £1 5/- pd.	10½	10½	3	5 1
22½	20½	20½ a	40½ b	Pearl £1, fully pd.	22	22	4	19 2
38½	35½	100½ c	105½ c	Prudential "A" £1	37½	37½	5	2 5
BREWERIES, ETC.								
28/6	126/-	10 a	33 b	Bass £1	127/6	127/6	6	14 11
19/9½	17 7/8	15 b	7½ a	Distillers 4/-	18/3	18/9	4	16 0
33/6	31 7/8	7 a	11 b	Guinness 10/-	32/3	31/9	5	13 5
8 9/8	8 3/8	4 a	8 b	Ind. Coops 5/-	8/3	8 4/4	7	3 3

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Mar. 6th	Western Europe:	Mar. 6th
Production and Consumption.....	Mar. 13th	Production and Trade.....	Mar. 13th
Manpower.....	This week	British Commonwealth.....	Mar. 13th
External Trade.....	Feb. 27th	Western Europe:	
Financial Statistics.....	This week	Prices and Money Supply.....	This week
Industrial Profits.....	Jan. 23rd	United States.....	Feb. 27th
World Trade.....	Jan. 23rd		

Manpower in Great Britain

	Unit	Monthly averages			1952	1953				1954	
		1951	1952	1953	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
TOTAL MANPOWER ⁽¹⁾											
Working population:											
Total	'000s	23,228	23,294	23,373	23,323	23,318	23,312	23,575	23,474	23,491	...
Men	"	15,791	15,864	15,883	15,887	15,889	15,887	15,945	15,920	15,942	...
Women	"	7,437	7,430	7,490	7,436	7,429	7,425	7,630	7,554	7,549	...
Armed Forces	"	827	872	865	872	873	873	857	850	847	...
Civil employment:											
Total	"	22,214	22,119	22,238	22,050	22,050	22,051	22,400	22,288	22,283	...
Agriculture, forestry and fishing	"	1,139	1,112	1,087	1,049	1,044	1,044	1,049	1,039	1,039	...
Mining and quarrying	"	856	875	877	877	879	878	866	867	869	...
Building and contracting	"	1,449	1,435	1,437	1,386	1,391	1,404	1,430	1,401	1,390	...
Distributive trades	"	2,600	2,616	2,664	2,658	2,642	2,639	2,738	2,704	2,687	...
Public administration	"	1,350	1,336	1,320	1,329	1,326	1,324	1,314	1,313	1,312	...
Manufacturing industries	"	8,736	8,626	8,746	8,698	8,715	8,711	8,956	8,932	8,955	...
CHANGES IN EMPLOYMENT ⁽²⁾											
Increase or decrease since June, 1950:											
Employees in engineering ⁽³⁾	"	+ 103	+ 212	+ 213	+ 226	+ 229	+ 222	+ 292	+ 295	...	...
" consumer goods industries ⁽⁴⁾	"	+ 74	+ 126	+ 128	+ 175	+ 160	+ 55	+ 78	+ 56	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	"	252.9	414.2	342.0	399.5	452.5	428.8	322.7	321.8	372.8	387.1
" —men	"	161.5	237.8	218.2	248.7	287.2	272.6	203.6	207.5	244.9	261.1
" —women	"	91.4	186.4	123.8	150.8	165.3	156.2	119.1	114.3	127.9	126.0
Temporary or under 2 weeks—men	"	49.8	87.8	68.8	75.8	94.2	85.8	62.0	62.8	82.5	83.1
" —women	"	37.7	94.7	44.0	48.8	64.7	51.2	41.4	36.6	49.4	40.0
Over 8 weeks—men	"	73.2	85.9	96.7	102.0	114.9	116.5	85.2	89.4	96.7	103.6
" —women	"	27.9	50.2	46.3	56.5	62.6	59.4	40.4	42.4	47.9	48.4
By industry ⁽⁵⁾ :											
Textiles	%	0.8	8.6	1.4	2.8	2.6	2.2	0.9	0.8	1.0	1.1
Clothing	"	1.7	2.9	1.3	1.7	1.8	1.4	1.5	1.5	1.7	1.8
Vehicles	"	0.5	0.7	0.8	1.0	1.1	1.2	0.6	0.6	0.7	0.8
Engineering, etc.	"	1.0	1.4	1.4	1.5	1.6	1.7	1.2	1.3	1.3	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	1.6	1.9	1.9	1.4	1.3	1.6	1.7
By regions ⁽⁶⁾ :											
Great Britain	"	1.2	2.0	1.6	1.9	2.2	2.1	1.5	1.5	1.8	1.9
London and South Eastern	"	0.9	1.3	1.2	1.4	1.7	1.5	1.2	1.2	1.4	1.5
Eastern	"	0.9	1.3	1.3	1.6	1.9	1.9	1.2	1.2	1.6	1.7
Southern	"	1.1	1.4	1.4	1.6	1.8	1.8	1.5	1.4	1.5	1.6
South Western	"	1.2	1.5	1.6	1.9	2.1	2.0	1.8	1.7	1.9	2.0
Midland	"	0.4	0.9	1.1	1.0	1.3	1.3	0.7	0.7	0.8	0.9
North Midland	"	0.5	1.0	0.7	0.8	0.9	0.8	0.6	0.6	0.7	0.8
East and West Ridings	"	0.9	1.9	1.2	1.4	1.6	1.5	1.1	1.1	1.3	1.4
North Western	"	1.2	3.6	2.1	2.8	2.9	2.7	1.8	1.7	1.9	2.0
Northern	"	2.2	2.6	2.4	2.7	3.0	2.8	2.4	2.4	2.8	2.9
Wales	"	2.7	2.9	3.0	3.0	3.6	3.7	2.7	2.7	3.1	3.2
Scotland	"	2.5	3.3	3.1	3.5	3.9	3.7	2.9	3.0	3.4	3.5
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	313	230	270	230	222	233	272	270	...	...
Men	"	208	131	147	131	126	130	150	147	...	...
Women	"	105	99	123	99	96	103	122	123	...	...
DISPUTES ⁽⁷⁾											
Workers involved											
Working days lost:	"	32	35	112	54	22	32	39	1,076	50	...
Total	"	141	149	181	135	67	165	95	1,112	128	...
Mining and quarrying	"	29	55	33	127	38	74	43	24	39	...
Engineering, etc.	"	43	66	126	3	18	84	26	1,048	14	...
Other industries and services	"	69	28	22	5	11	7	26	40	75	...

(1) Annual figures are for June of each year.

(2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and machinery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) United Kingdom. (5) Number registered unemployed, expressed as a percentage of the number of employees. (6) United Kingdom. (7) Number registered unemployed, expressed as a percentage of the number of employees.

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, September	238	106	132	154	159	191	128	96	133	152	138	105
" 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	...	133	156	...	192	...	...	...	152	138	...
COST OF LIVING ⁽²⁾ (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	...	117	130	136	130	113
1953, September	210	106	123	141	107	171	...	116	129	136	130	114
" October	211	106	123	141	107	171	...	117	129	137	130	114
" November	211	107	123	141	107	172	...	116	128	137	130	114
" December	211	106	123	142	107	175	...	117	128	137	130	115
1954, January	212	107	123	143	...	...	...	...	...	...	130	...
IMPORT PRICES ⁽³⁾ (1948 = 100)												
1938	250	116	40	7	39	...	39	2	24	32	45	21
1952	269	...	131	182	121	...	129	109	131	132	152	91
1953	269	...	131	182	106	...	...	...	...	125	140	...
1953, August	276	109	117	164	104	...	125	101	115	125	138	90
" September	281	108	...	...	103	...	123	100	113	123	136	91
" October	280	107	...	...	101	...	124	106	116	122	...	89
" November	276	107	...	...	102	...	127	97	113	120	...	80
" December	280	...	...	...	102	...	...	...	...	130	...	...
EXPORT PRICES ⁽⁴⁾ (1948 = 100)												
1938	263	25	40	6	51	...	37	2	25	32	42	24
1952	239	101	114	158	123	...	126	107	117	137	153	123
1953	239	101	114	158	123	...	...	...	...	120	135	...
1953, August	246	99	106	147	122	...	129	104	97	119	135	111
" September	248	100	...	...	121	...	126	106	99	117	...	111
" October	243	100	...	...	119	...	135	106	99	116	...	101
" November	242	96	...	...	121	...	123	104	97	116	...	111
" December	239	96	...	...	122	...	...	...	...	120	...	...
CURRENCY IN CIRCULATION ⁽⁵⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. krbner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
1938	8.79	23.6	425	112	10.22	2,476	18.2	19	1,048	455	1,040	21
1952	...	102.1	1,889	2,124	11.94	...	69.9	1,343	3,171	2,787	4,620	1,28
1953	...	...	2,048	2,310	...	...	74.3	1,422	3,394	...	4,890	1,46
1953, September	9.39	104.4	1,750	2,227	11.02	2,971	68.4	1,280	3,229	2,802	4,430	1,44
" October	9.46	104.2	1,844	2,229	11.15	3,141	71.0	1,272	3,275	2,847	4,590	1,51
" November	9.62	103.9	1,861	2,232	11.13	3,173	72.7	1,290	3,291	2,833	4,590	1,44
" December	...	...	2,048	2,310	11.94	...	74.3	1,422	3,394	...	4,890	1,44
1954, January	...	...	...	...	...	...	71.5	...	...	...	...	1,44
GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁶⁾ (mn. US dollars)												
1938	...	738	76.7	2,791	1,165	26.8	59	201	1,003	128.3	512	1
1952	...	1,077	142.1	988	1,984	9.9	219	918	929	148.3	379	1
1953	...	1,090	166.8	930	...	10.5	234	...	1,161	138.4	425	2
1953, September	...	1,042	164.2	901	1,721	10.5	223	...	1,118	153.0	399	2
" October	...	1,058	165.4	913	1,795	10.5	232	...	1,138	151.8	411	2
" November	...	1,077	168.1	921	1,862	10.5	235	...	1,154	147.6	418	2
" December	...	1,090	166.8	930	1,984	10.5	234	...	1,161	138.4	425	2
1954, January	...	1,093	160.2	...	...	10.6	228	...	1,178	137.1	421	2

Financial Statistics

EXCHEQUER RETURNS

For the week ended March 13th, there was an "above-line" deficit (after allowing for Sinking Funds) of £5,255,000 compared with a surplus of £17,836,000 in the previous week and a deficit of £25,705,000 in the corresponding period of last year bringing the cumulative surplus to £214,176,000 (£194,646,000 in 1952-53). Net expenditure "below-line" absorbed £12,258,000 which brought the total cumulative deficit to £181,548,000 (£338,258,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Mar. 14, 1953	April 1, 1953 to Mar. 15, 1954	Week to Mar. 14, 1953	Week to Mar. 15, 1954
Ord. Revenue					
Income Tax	1782,250	1648,894	1646,018	37,812	37,356
Sur-tax	127,000	121,600	122,700	5,700	4,400
Death Duties	160,000	143,650	155,200	5,500	5,500
Stamps	52,000	47,650	55,400	1,200	1,000
Profits Tax & E.P.T.	214,000	365,000	179,400	4,500	3,000
Excess Profits Levy	99,500	1,900	62,050	500	1,400
Special Contribution and other	1,000	1,900	1,220	50	...
Inland Revenue					
Total Inland Rev.	2435,750	2328,594	2219,988	50,662	50,456
Customs	1044,300	981,139	999,885	18,217	19,930
Excise	680,480	715,635	707,415	4,150	3,545
Total Customs and Excise	1724,780	1696,772	1707,300	22,347	23,475
Motor Duties	69,000	67,525	72,805	151	401
PO (net receipts)	2,685	7,900	...	...	1,000
Broadcast Licences	16,000	13,600	15,950	...	...
Supply Loans	25,000	24,681	37,419	...	...
Miscellaneous	95,000	103,237	108,597	2,780	436
Total	4388,215	4234,409	4188,988	75,920	75,468
Ord. Expenditure					
Debt Interest	615,000	568,891	572,913	3,938	5,673
Payments to N. Ireland Exchequer	48,000	41,758	47,496	...	...
Other Cons. Fund	10,000	10,000	9,010	...	...
Supply Services	3586,286	3384,666	3290,588	96,600	76,600
Total	4259,286	4005,315	3920,006	100,538	80,273
Sinking Funds	...	34,448	34,786	1,087	450
"Above-line" Surplus or Deficit	104,646	214,176	25,705	5,255	
"Below-line" Net Expenditure	532,904	395,724	2,824	12,258	
Total Surplus or Deficit	338,258	181,548	28528	17613	
Net Receipts from:					
Tax Reserve Certificates	67,134	45,553	719	433	
Savings Certificates	17,500	18,700	1,700	900	
Defence Bonds	53,490	56,804	1,867	834	

FLOATING DEBT

(£ million)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Total Floating Debt
Tender	Tap	Public Depts.	Bank of England	
1953				
Mar. 12	2,820.0	1,540.5	275.2	4,635.6
Dec. 12	4,726.3*	283.1	2.3	4,966.7
" 19	4,759.0*	266.9	1.0	5,026.9
" 31	4,855.5*	250.1	...	5,105.6
1954				
Jan. 9	3,110.0	1,679.9	249.6	5,039.5
" 16	3,110.0	1,570.0	265.6	4,945.6
" 23	3,090.0	1,669.9	266.1	4,926.0
" 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	4,704.4
" 13	3,080.0	1,345.5	301.7	4,727.2

* 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

The market lowered its bid for the £270 million of Treasury Bills offered last week from £99 9s. 8d. to £99 9s. 5d., raising its rate of discount to roughly 2½ per cent and the average rate on all bills allotted by nearly 1½d. to £2 2s. 2½d. per cent per annum. But despite the reduction in the bid, and despite a slight rise in total applications to a new record figure of £414.6 million. The market's proportion fell only from 53 per cent to 45 per cent.

The market's buying rates for commercial bills were adjusted to maintain differentials; the rate for two and three months bills was raised from 2½ to 2½ per cent, thus reversing the reduction made a month previously. The tightening of rates was a reflection of the stringent credit conditions obtaining in the preceding week, the implications of which are discussed in a note on page 883 of this issue. During the week covered by the Bank return credit conditions became slightly easier. On Thursday before the week-end heavy tax transfers forced the market into the Bank for the third time in seven days, but on Friday the authorities made small purchases (mainly direct from the market) which saved houses from penalty borrowing. Small official purchases were also made on Monday, but in the rest of the week market supplies of money were adequate.

The Bank return shows that the outflow of notes last week was less than £1 million; earlier in the week the fiduciary issue had been increased by £50 million, to £1,625 million, to strengthen the reserve of notes in the banking department against the usual pre-Easter efflux.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	%	Discount Rates	%
Bank bills: 60 days	2½	Bank bills: 60 days	2½
Deposit rates (max)		3 months	2½
Bank bills: 12 months	1½	4 months	2½
Discount houses: 12 months	1½	6 months	2½
Money - Day to day	1½	Prime trade bills: 3 months	3½
Short periods: 12 months	1½	4 months	3½
Treasury bills 2 months	2½	6 months	4½
3 months	2½		

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot	One Month Forward Rates
	March 17	March 11	March 12
United States \$	2.78 2.82	2.81 2.81	2.81 2.81
Canadian \$	2.73 2.73	2.73 2.73	2.73 2.73
French Fr.	972.65 987.35	982 982	982 982
Swiss Fr.	12.15 12.31	12.20 12.20	12.20 12.20
Belgian Fr.	138.95 141.95	139.00 139.00	139.00 139.00
Dutch Gld.	10.56 10.72	10.62 10.62	10.62 10.62
W. Ger. D.Mk.	11.67 11.84	11.70 11.70	11.70 11.70
Portuguese Esc.	79.90 81.10	79.90 80.05	79.90 80.05
Swedish Kr.	14.37 14.59	14.52 14.52	14.52 14.52
Danish Kr.	19.19 19.48	19.39 19.40	19.39 19.40
Norwegian Kr.	19.85 20.15	20.00 20.00	20.00 20.00
United States \$	4c. pm par	4c. pm par	4c. pm par
French Fr.	1 1/2 dis	1 1/2 dis	1 1/2 dis
Swiss Fr.	2 1/2 dis	2 1/2 dis	2 1/2 dis
Belgian Fr.	4 pm par	4 pm par	4 pm par
Dutch Gld.	1 1/2 pm par	1 1/2 pm par	1 1/2 pm par
W. Ger. D.Mk.	1 1/2 pm par	1 1/2 pm par	1 1/2 pm par
Swedish Kr.	2 1/2 pm par	2 1/2 pm par	2 1/2 pm par
Danish Kr.	10 pm 10 dis	10 pm 10 dis	10 pm 10 dis
Norwegian Kr.	Par 20 dis	Par 20 dis	Par 20 dis

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954
Mar. 18	Mar. 10	Mar. 1
Issue Department:		
Notes in circulation	1,481.8	1,561.8
Notes in banking dept.	18.5	15.6
Govt. debt and securities*	1,496.8	1,571.7
Other securities	0.7	0.7
Gold coin and bullion	2.9	2.9
Banking Department:		
Deposits		
Public accounts	16.4	16.9
Treasury special account	32.0	4.7
Bankers	241.7	277.4
Others	71.5	65.4
Total	401.8	364.4
Securities		
Government	378.0	353.5
Discounts and advances	7.1	15.6
Other	15.1	17.7
Total	400.2	366.8
Banking department reserve	20.2	16.0
"Proportion"	5.0	4.3

* Government debt is £11,015,100, capital £14,523,000. 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		Altitude at Max Rate %
	Offered	Applied For	Allotted	a.	d.	
1953						
Mar. 13	250.0	358.4	250.0	47	11.74	87
Nov. 13	230.0	373.9	230.0	41	11.44	63
" 20	250.0	376.8	250.0	41	10.82	66
" 27	240.0	368.4	240.0	42	11.46	90
Dec. 4	250.0	374.0	250.0	41	11.73	94
" 11	250.0	368.8	250.0	41	11.98	96
" 18	250.0	368.4	250.0	42	0.63	78
" 24	250.0	338.9	250.0	42	7.34	63
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	64
" 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	48
" 19	240.0	398.9	240.0	41	3.66	48
" 26	250.0	400.8	250.0	41	3.37	48
Mar. 5	270.0	412.9	270.0	41	3.41	63
" 12	270.0	414.8	270.0	42	2.61	48

* On March 12th tenders for 91 day bills at 4.90 per cent secured about 45 per cent of the sum applied for; the tenders were allotted in full. The offering yesterday was a maximum amount of £260 million.



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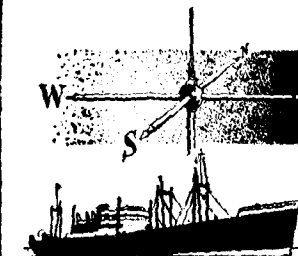
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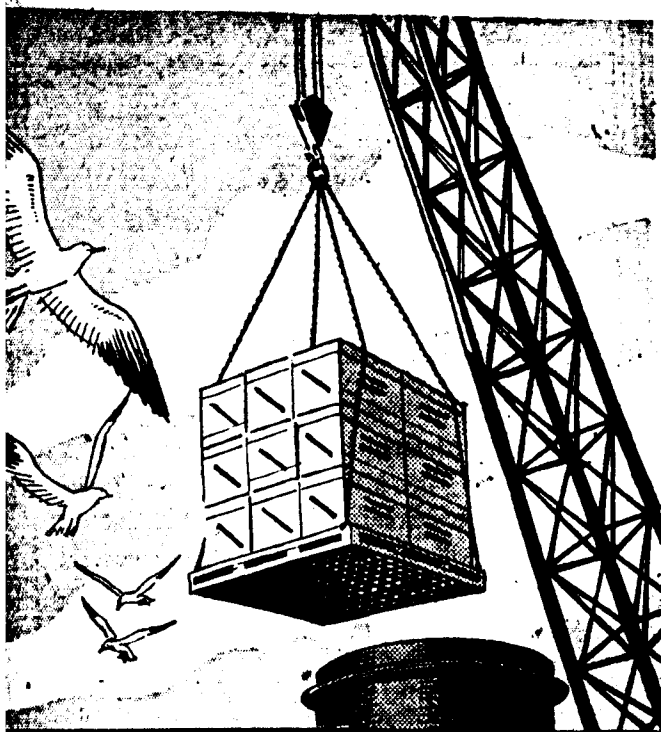
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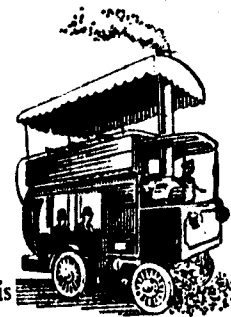
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Assets Exceed \$2,300,000,000 600 Branches across Canada.

Incorporated in Canada in 1817 with Limited Liability.

necessary conditions have been attained. Considerable hope was placed by us on the United States Randall Commission in the expectation that its report would bring about some relaxation of those restrictions which operate so much against an increase in our trade with that country. The Commission's report has somewhat dimmed our hopes and, while it would be wrong to strike at this stage a too pessimistic note about the outcome, it does not seem as if we shall derive much benefit from the rather mild recommendations of the Commission. We must, therefore, and particularly in view of increasing German and Japanese competition, improve our competitive power, for this is the surest way by which we shall be able to secure exports and so enable us to procure those imports of food and raw materials necessary for the standard of living which we enjoy and all wish to maintain. It would be disastrous if, by a continuing stream of wage advances, we priced ourselves out of our export markets. With all the factors, except salaries and wages, which go to make up the cost of living now on a more even keel, is it too much to hope that in these also we may be approaching a period of reasonable stability? The almost parallel lines on any graph comparing the increase in prices and wages should surely be enough to bring home to us all, most forcibly, the basic distinction between "money incomes" and "real incomes," and convince us that no lasting improvement in our standard of living can be achieved without increased efficiency and an increased rate of productivity.

It is also essential that we should devote an increasing proportion of our resources to the provision of new capital investment, and for this increased savings are vitally necessary. The traditional "saver," who in the past was the chief provider of risk capital, has all but disappeared. Inflation and heavy taxation are mainly responsible for this, and I am sure that if the Chancellor were able to offer some relief in the great burden of taxation in his next Budget the savings figures, which have shown up rather better in recent months, would still further improve.

SCOTTISH INDUSTRY AND COMMERCE

Turning now to the state of industry and commerce in Scotland, I feel that there are good grounds for reasonable pride in the past year's achievements. The level of employment, while continuing to be a little below the figure for the United Kingdom as a whole, is relatively satisfactory, but there are tendencies which give cause for concern. Coal production, on which so much of our economy depends, is not showing the increase we expected, having regard to the mechanisation installed in the pits and substantial capital expenditure in other directions.

Shipbuilding and our other heavy industries continue at a high level of production, but order books are running down and the falling off in this respect is a danger signal. It clearly points to the need for every effort being made in these industries, as indeed in all others, to keep our prices on a keen competitive basis.

The Scottish Council (Development and Industry) continues to do good work in obtaining new orders for Scottish industry and in attracting new industries to achieve a greater diversity of our economy. Much has already been done in this direction, and it is pleasing to hear of the satisfaction which has been expressed about the quality of Scottish labour. We hope that many more enterprises from the other side of the Atlantic will thereby be encouraged and attracted to join those already here, and most welcome they will be.

I would like here to refer to the continued high exports to America of Scotch whisky, and also of our Scottish woollen products from the borders and elsewhere. Both these industries deserve the thanks of all of us for

their great contribution to the dollar position.

The Scottish council are promoting another Scottish Industries Exhibition which will be held in Glasgow from September 2nd to 18th of this year. The promoters claim that it will be not only a trade fair comparable with any of the great international trade fairs but also a pageant of Scottish industry, and I commend it to you who are present and also to the wider audience whom my words might reach through the press.

AGRICULTURE

The past year has been a reasonably satisfactory one for our agricultural industries. There has, however, been brought into sharp relief the problems which lie ahead now that food rationing and price control are coming to an end. In the future, Government assistance will be shown as a cost of Government support to British agriculture and not, as it has been in recent years, as a cost of living subsidy to the consumer and, with some British farm prices higher than world prices, we must expect this item of our national expenditure to be scrutinised with a very critical eye. Nevertheless, I am sure that farmers can face the future with reasonable confidence. It has been repeatedly stated by the Government that it is their intention to encourage and support maximum food production at home, and sufficient incentives to this end must always be given. In return, farmers must make the fullest possible use of our land resources, and it can be no part of Government policy to support the easy-going or inefficient farmer.

Meat marketing is proving a thorny problem, but it is hoped an efficient and workable system may soon be found, safeguarding the interests of both producer and consumer. There must be some difficulties in the first period of decontrol and derationing, but these can be overcome with goodwill on the part of all the interests concerned.

CHAIRMAN'S OVERSEAS TOUR

Mr Murray, our chairman of directors, has recently returned from an extensive tour of Australia, New Zealand and Canada, where he had an opportunity of meeting many of the leading bankers and business men in those countries.

Unfortunately, between Australia and Canada Mr Murray developed pneumonia, so that his Canadian tour was seriously curtailed, and he was only able to visit Toronto and Montreal.

I feel sure that, as a result of the chairman's tour, the very cordial and friendly relationship which exists between us and our friends in the countries which he visited has been further cemented and improved.

I also was fortunate to meet many leading bankers and business men, mostly Scottish Canadians, during a short private visit to Canada at the end of November.

TRIBUTE TO OFFICIALS AND STAFF

The staff continue to give their usual loyal and efficient service in the affairs of the bank, and the directors desire to place on record their sincere appreciation of the valued services rendered by Mr Watt and Mr Ballantyne the general managers, the other officials and staff at head office, London City and West End offices, Glasgow, Dundee, Aberdeen and all the other branches.

APPROVAL OF ACCOUNTS

I now beg to propose that the report, containing a statement of the accounts and balance sheets, be approved.

The report was approved, and the governor, deputy-governor, extraordinary directors and the retiring ordinary director were re-elected.

BIRMINGHAM & DISTRICT INVESTMENT TRUST, LIMITED

INCREASED INCOME

The seventieth annual general meeting of this company was held on March 16th in London. Mr J. S. Wills, who presided in the absence abroad of the chairman and managing director, Mr H. C. Drayton, in the course of his speech, said:

The income from our associated companies is very slightly up and that from our general investments rather more so, the total of £561,000 being some £24,000 in excess of that of last year. Your board are again recommending a dividend of 20 per cent on the ordinary stock.

IMPROVED NATIONAL ECONOMY

The past year has been chiefly notable for the continued and steady improvement in the economy of this country. The gold and dollar reserves of the sterling area have increased during the twelve months ended February 28, 1954, by \$480 million, and above all there have been further relaxations in the controls which had been with us since the end of the last war. Of particular interest to this company are the new directions to the Capital Issues Committee to enable investment and unit trusts more easily to raise capital. Also, in the matter of investment abroad, controls have been eased to ensure that at least some British capital can participate in the growing economies of overseas countries. The easing of the regulations relating to the investment of funds in Canada is a case in point; unfortunately a belated relaxation, but nevertheless very welcome when one considers the immense possibilities of that country.

Our associated omnibus company, the "Midland Red," is a considerable source of revenue to us and we view their future with confidence. Here, though, I feel I must once again register my protest against the penal and discriminatory tax on motor fuel. It seems to me to be inexplicable that an industry vitally necessary for our economic well-being as an exporting nation should suffer an impost which adds so considerably to the cost of our national products.

CURRENT YEAR'S PROSPECTS

With regard to the prospects for the coming year, I feel that I must speak cautiously, as so many factors seem to be warring against one another. On the one hand, international relations seem to be less strained, or—shall I say—less likely to lead to unfortunate "incidents"; plans for developing the Commonwealth and backward areas arising out of the Colombo Plan should by now be well advanced; and the abnormal conditions resulting from the "Korean" war have largely been eradicated.

On the other hand, however, more intensive competition in markets in which British exporters have had since the war, more or less a free hand, increased consumer resistance, and above all the failure of the South American countries to put their finances in order all operate against the economic progress of this country. British industrialists face many difficult problems today but I myself feel that, given a free hand, and the resources, they will find their own solutions.

So far as this company is concerned, I do not think there will be any remarkable change in income but I shall be disappointed if we are unable to lay before you accounts as favourable as those before you now.

The report was adopted.

The ROYAL BANK of SCOTLAND

REPORT BY THE COURT OF DIRECTORS OF
TO THE ANNUAL GENERAL COURT OF PROPRIETORS ON TUESDAY, 16th MARCH, 1954.

The Court of Directors now submit to the Proprietors Group Accounts comprising the Balance Sheet and Profit and Loss Account of The Royal Bank of Scotland as at 10th October, 1953, and the Balance Sheets and Profit and Loss Accounts of its Subsidiary Companies, Glyn, Mills & Co. and Williams Deacon's Bank Limited as at 31st December, 1953.			
The Net Profit of THE ROYAL BANK OF SCOTLAND for the year to 10th October, 1953, after providing for taxation and making transfers to Property Maintenance Reserve and to Reserves for Contingencies, out of which Reserves for Contingencies provisions have been made for all bad and doubtful debts and fluctuations in the value of Investments, amounted to			
Interim dividend at rate of 8½ per cent. actual paid at Midsummer, 1953, required	£361,250 0 0		£621,256 10 3
Less Income Tax	162,562 10 0		
Interim dividend at rate of 9½ per cent. actual paid at Christmas, 1953, required	£403,750 0 0		£198,687 10 0
Less Income Tax	181,687 10 0		
There have been:			
Contributed to Staff Pension Fund	75,000 0 0		
Contributed to Staff Widows' Fund	15,000 0 0		
Carried to Inner Reserves	110,506 10 3		£621,256 10 3

The Reserve Fund is £4,877,216.
A dividend of 18 per cent. per annum having already been paid, the Court of Directors do not recommend any further dividend for the year. The Bank's holdings of British Government Securities consist entirely of dated Stocks.
The Directors record with deep regret the death of The Hon. Michael Claude Hamilton Bowes-Lyon, D.L., who had been Deputy-Governor since January, 1950. In the virtue of the powers conferred upon them by the Royal Bank of Scotland Act, 1873, the Directors elected Mr. Alexander Maitland, Q.C., D.L., as Deputy-Governor of the Bank.
Mr. John McArthur Thomson, D.L., Cashier and General Manager, retired in June last after almost fifty years of highly valued service. The Directors appointed Mr. William Alexander Watt and Mr. Walter Robert Ballantyne, Assistant General Managers, to succeed him as Cashiers and General Managers.
The Governor, the Deputy-Governor, the Extraordinary Directors and the Senior Ordinary Director (Mr. Kenneth Murray, W.S.) retire at this time and are eligible for re-election.
The Directors record with regret the death of Mr. S. W. Murphy, C.A., who had been Joint Auditor of the Bank since 1940. To fill the vacancy the Directors appointed Mr. C. G. M. Pearson, C.A., of Messrs. Maxtone Graham & Sign, C.A., Edinburgh, to act along with Mr. James Haldane, C.A.
Mr. C. G. M. Pearson, C.A., of Messrs. Maxtone Graham & Sign, C.A., Edinburgh, to act along with Mr. James Haldane, C.A.
Mr. Haldane and Mr. Pearson are willing to continue in office and will be re-appointed pursuant to Section 159 of the Companies Act, 1948.

Edinburgh, 22nd February, 1954.

STATEMENT OF ACCOUNTS, 10th OCTOBER, 1953.

CAPITAL STOCK, Authorised and Issued	£4,250,000	
RESERVE FUND	£4,877,216	£9,127,216
NOTES IN Circulation	140,285,238	
DEBITORS and other Accounts including Reserves and Provisions for Contingencies and Taxation	222,082	
DIVIDEND—Christmas 1953, less Income Tax	1,600,358	142,107,658
AMOUNTS due to Subsidiary Companies		7,254,620

LIABILITIES for Acceptances, Confirmed Credits and other Obligations

Notes: The profits of Williams Deacon's Bank Ltd. and Glyn, Mills & Co. have been taken into the Royal Bank of Scotland profit only to the extent of the Dividends declared. The Companies are non-trading and have made neither a profit nor a loss for the year ended 10th October, 1953. Foreign Currency Balances have been converted into sterling at the rates current on 10th October, 1953. Provisions have been made for taxation on all profits to date.

Statement required by the Eighth Schedule of the Companies Act, 1948.
The Directors of the Bank have, in terms of Section 155 (1) of the Companies Act, 1948, investigated the possibility of making the financial year of each of the Subsidiaries coincide with its own. The proposal of the Subsidiaries has been to make up their Accounts as at 31st December in each year, and it is considered impracticable to alter this arrangement. The Royal Bank of Scotland has, since 1978, made up its Accounts annually on the second Saturday of October, and any alteration in this long-established and convenient procedure would involve administrative difficulties in the conduct of the Bank's affairs. The Directors are satisfied that the foregoing considerations constitute good reasons for not making any alteration in the financial year of the Bank or of the Subsidiaries.

DAVID F. LANDALE, ELGIN, J. H. RICHARDSON,	W. A. WATT, W. R. BALLANTYNE,	Cashiers and General Managers.	£170,581,433
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CURRENT ASSETS:		
COIN, BANK NOTES and BALANCES with the Bank of England	£18,238,256	
COIN, BANK NOTES and BALANCES with the Bank of Scotland	6,449,369	
BALANCES with, and CHEQUES in course of collection on, other Banks in the British Isles	11,435,000	
MONEY at Call and Short Notice	6,706,993	
BILLS DISCOUNTED (including £6,178,000 British Treasury Bills)		
INVESTMENTS—		
(a) QUOTED—at or under market value	67,183,128	
British Government Securities and Securities guaranteed by British Government	723,253	
Domestic and Colonial Government Securities, and Corporation Stocks	191,366	
Other Securities	578,520	
(b) UNQUOTED—at cost—Terminals Corporation Mortgages	111,506,818	
ADVANCES to Customers and other Accounts, less provision for bad and doubtful debts	44,175,189	
LIABILITIES of Customers for Acceptances, Confirmed Credits and other Obligations per contra	7,254,620	
TOTAL CURRENT ASSETS	182,936,627	

SUBSIDIARY COMPANIES:		
Williams Deacon's Bank Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,800 "B" Shares of £1 each, fully paid	5,663,750	
Glyn, Mills & Co. £1,000,000 Stock—a company incorporated with unlimited liability		
Williams Deacon's Bank Ltd. (are limited by Guarantee and have no Assets or Liabilities)	253,821	6,147,571
AMOUNTS due by Subsidiary Companies		

TRADE INVESTMENT:		
Industrial and Commercial Finance Corporation Ltd.—333 Shares of £1,000 each, £500 paid	166,500	
FIXED ASSETS: Bank Property, partly yielding rent, at cost, less amounts written off	1,330,735	
	£170,581,433	

PROFIT AND LOSS ACCOUNT for the Year ended 10th October, 1953.

To Property Maintenance Reserve Account	£78,000	
Staff Pension Fund	15,000	
Staff Widows' Fund	110,507	
Inner Reserves	108,687	
Dividend—Midsummer 1953, less Income Tax	222,082	
Dividend—Christmas 1953, less Income Tax	£621,256	
By Profit for the Year after providing for taxation and making transfers to Property Maintenance Reserve and to Reserves for Contingencies, out of which Reserves for Contingencies provisions have been made for all bad and doubtful debts and fluctuations in the value of Investments		£621,256

Note: Directors' Emoluments—
Aggregate amount of Directors' Fees ... 27,748
Aggregate amount of other Emoluments ... 15,000
Pension, other than as a Director ... 4,000
£47,484
Of these amounts there are included in the Accounts of the Subsidiary Companies sums amounting, in all, to £27,485 (1952), £26,496.

AUDITORS' REPORT.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our Audit. In our opinion proper books of account have been kept by the Bank so far as appears from our examination of these books, and proper returns adequate for the purposes of our audit have been received from Branches not visited by us. We have examined the above Balance Sheet and Profit and Loss Account which are in agreement with the books of account and returns of the Bank. In our opinion and to the best of our information and belief the accounts are true and fair in the case of the Bank's affairs as at 10th October, 1953, and in the case of the Profit and Loss Account of the profit for the year ended on that date. We have examined the Group Accounts (comprising the above Balance Sheet of the Royal Bank of Scotland as at 10th October, 1953, and the annexed Balance Sheets of its Subsidiaries, Glyn, Mills & Co. and Williams Deacon's Bank Ltd., both as at 31st December, 1953) with the audited accounts of the Banks dealt with thereby, which accounts, with the exception of the Royal Bank of Scotland, have been audited by us. Subject to the foregoing, in our opinion, the said Group Accounts have been properly prepared in accordance with the provisions of the Companies Act, 1948, and, on the basis authorized therein, give a true and fair view of the state of affairs and of the profit of the Royal Bank of Scotland and its Subsidiaries.

JAMES HALDANE, C.A., Auditor.
C. G. M. PEARSON, C.A., Auditor.

Edinburgh, 1st February, 1954.

THE NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1922 on the 23rd March, 1929

ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1903

Subscribed Capital ...	24,562,500	Reserve Funds ...	23,675,000
Paid-up Capital ...	22,281,250	Number of Shareholders ...	3,034

HEAD OFFICE: 26, BISHOPSGATE, LONDON, E.C.2

BALANCE SHEET, 31st DECEMBER, 1953

	£	£	1952		£	£	1952
CAPITAL—				CURRENT ASSETS—			
Authorised and Subscribed:				Cash on Hand, at Call and			
182,500 Shares of £25 each	4,562,500		4,562,500	Short Notice, and at			
Paid-up £12 10s. per Share		2,281,250	2,281,250	Bankers ...	18,778,011		20,345,050
RESERVE FUNDS—				Investments at under Mar-			
Including Share Premium				ket Value:—			
Account £1,128,750 ...		3,875,000	3,675,000	British Government and			
(1952—£1,128,750)				other Securities quoted			
PROFIT AND LOSS				on the London Stock			
ACCOUNT—				Exchange ...	11,319,563		11,483,688
Profit unappropriated ...		275,496	274,980	Indian, Pakistan and Cey-			
		6,231,746	6,231,230	lon Government and			
CURRENT LIABILITIES,				other Rupee Securities			
PROVISIONS AND				quoted on overseas			
OTHER ACCOUNTS—				Stock Exchanges ...	10,989,062		9,876,253
Current and other Accounts,				East African Government			
including provision for				Securities amounting to			
diminution in value of				£1,048,575 and other			
assets, taxation on profits				unquoted Investments	1,070,824		891,488
to date and reserves for						23,379,449	
contingencies ...	80,633,364		89,004,213	Bills of Exchange, including			
Fixed and Short Deposits ...	22,930,054		21,927,618	Treasury Bills ...		25,805,761	23,722,146
Amounts due to Subsidiary				Advances, Loans Receivable			
Companies ...	2,950,553		2,864,042	and other sums due to the			
Loans Payable ...	370,875		710,653	Bank ...	45,804,249		53,317,597
Bills Payable ...	1,985,118		1,584,541	Customers for Acceptances			
Acceptances for Customers	938,205		1,010,296	per Contra ...		938,205	1,010,296
Second Interim Dividend				Total Current Assets ...		112,826,675	120,746,419
less Income Tax for the				SUBSIDIARY COMPANIES—			
year ended 31st Decem-				Shares at cost less amounts			
ber, 1953 ...	100,375		95,812	written off ...	1,450,000		1,450,000
		109,908,542		Amounts due ...	159,770		
						1,609,770	
				FIXED ASSETS—			
				Bank Premises, Property			
				and Furniture at cost,			
				less amounts written off		1,704,843	1,261,996
						£118,140,288	£123,458,415

NOTES.

1. Securities to the nominal value of £791,845 (1952—£542,500) have been lodged as security for Government accounts and for guarantees issued to Indian Government Departments.
2. Bills receivable revalued at £129,531 (1952—£155,814) of which up to 8th March, 1954, £92,245 have run off.
3. Forward contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers £33,045,236 (1952—£40,829,126).
4. Liabilities have been incurred in respect of building contracts for new premises amounting to approximately £227,000 (1952—£263,107).
5. There are contingent liabilities in respect of confirmed credits outstanding amounting to £7,975,079 (1952—£9,233,020).
6. There are contingent liabilities in respect of guarantees entered into in the ordinary course of business.
7. Overseas Current Assets and Liabilities have been converted at the rate of 100s. per Indian Rupee, 100s. per Ceylon Rupee, 100s. per Burma Kyat, 25s. per Pakistan Rupee and £1 per 20 East African Shillings, and other currencies at the rates of exchange ruling on 31st December, 1953.

REPORT OF THE AUDITORS TO THE MEMBERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Bank so far as appears from our examination of those books and proper Returns adequate for the purposes of our audit have been received from Branches not visited by us. We have examined the above Balance Sheet which is in agreement with the books of account and Returns. In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31st December, 1953.

We have also examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Bank and its Subsidiaries dealt with thereby with the audited accounts of those Companies. In our opinion such Consolidated Balance Sheet and Consolidated Profit and Loss Account have been properly prepared from such accounts in accordance with the provisions of the Companies Act, 1948, in the manner thereby authorised for Banking Companies and, on this basis, give a true and fair view of the state of affairs and of the profit ascertained in the manner therein indicated of the Bank and its Subsidiaries so far as concerns members of the National Bank of India, Limited.

LONDON, 9th March, 1954.

COOPER BROTHERS & CO. } Auditors.
W. A. BROWN & CO. }
Chartered Accountants.

N. W. CHISHOLM, General Manager.
D. A. DEELEY, Accountant.
J. K. MICHIE
W. H. MILES
E. J. MACKENZIE HAY } Directors.

NATIONAL BANK OF INDIA, LIMITED

SATISFACTORY FIGURES, DESPITE DIFFICULTIES

MR J. K. MICHIE'S STATEMENT

The annual general meeting of the National Bank of India, Limited, will be held on April 6th in London.

The following are extracts from the circulated statement by the chairman, Mr J. K. Michie, relating to the accounts for the year 1953:

Throughout 1953 the world continued to struggle, if haltingly and painfully, towards a more natural balance in the conduct of international commerce and in this country the movement has been assisted by the decontrol of certain imports, the gradual derationing of consumer goods, and the reopening of terminal markets.

On the other hand, some primary producer countries still hold the view that by bulk selling through government controlled bodies rather than by using marketing systems through which sellers and buyers would be in daily touch, they can sell their produce more effectively and at the same time ration their sales in accordance with their views of international values. Generally speaking bulk selling flourishes only in a sellers' market and temporarily anyhow these conditions have disappeared. But the greatest remaining obstacle to the free flow of international trade undoubtedly is the absence of free convertibility of currencies.

AN UNEASY YEAR

1953, therefore, was an uneasy year, though with certain bright spots in our particular geographical field, and I am pleased that we are able to show figures which, while reduced both in respect of balance sheet totals and of profits, are nevertheless satisfactory.

Turning to the accounts for 1953, the total of the consolidated balance sheet shows a reduction of £7,014,168 to £136,452,974. The figure relating to the National Bank of India, Limited, alone has fallen by £7,318,127 occasioned entirely by a drop in total deposits which was accompanied by a corresponding fall in outstanding advances. After making full provision for taxation and other necessary reservations net profits are £376,266, a reduction of £5,178 as compared with 1952 results.

DIVIDEND DECISION

We decided to continue for 1953 our recent rate of dividend distribution of 16 per cent. I wish to point out, however, that on a pre-profits tax basis this costs practically 20 per cent. While over the war years our shareholders suffered less than most in fluctuating dividends and consequently in temporarily reduced share values, we are nevertheless very conscious of their loyal acceptance of our dividend policy since then. We are also aware that certain aspects of our capital structure are out of line with modern needs and practice, and we are proposing at an extraordinary general meeting which will immediately follow the annual general meeting to ask you to pass certain resolutions.

These measures have two purposes, the first to take our shares out of what is known as the "heavy" category and so encourage the smaller investor, the second to bring the capital more into line with realities while maintaining an adequate reserve fund.

As you know, the expenses of running a business continually tend to rise; then competition in all our areas is steadily increasing; and lastly, in this uncertain world it would be most injudicious of me to make any firm prophecy of what will be done or of what

will be possible some months from now; but in putting before you these proposals in regard to our capital we do it in the hope that there will be some increase in the amount to be distributed to the shareholders. I do not, however, encourage any expectation of the same rate being maintained on the increased capital.

GRINDLAYS BANK

Grindlays Bank, Limited, shows a smaller profit for 1953. They are opening in the Rhodesias and that means an increase in expenses which will not be balanced by revenue until the new branches are more firmly established.

Our Finance and Development Corporation continues to expand its business on sound lines.

A special feature of our expansion has been the long-delayed opening of our West End branch at 13 St. James's Square, which started business on December 7th. I understand the improved facilities thus afforded to our trustee and income tax departments are appreciated by our customers and a steadily increasing number of our overseas clients will doubtless use St. James's Square for their ordinary business. Our staff will welcome any shareholder or customer who wishes to see this fine office.

INDIA

The outstanding achievement by India in 1953 was the increase by 5 million tons in her food production. This has been the result of nation-wide efforts begun some years ago and pursued with vigour, coupled with the end of a series of poor monsoons particularly in Southern India. This does not mean she has achieved self-sufficiency, for it is estimated that this increase hardly meets the needs of her present population on the basis of 1939 consumption per capita, but buttressed by her purchase of rice from Burma, it at least puts her in a position in which she can buy further requirements at her own time.

Generally speaking, India has had a satisfactory year, above all in the remarkable change for the better in the fortunes of her tea industry. A year ago it was just emerging from a crisis and prices were rising. Since then the rise has been almost continuous, and as I write Indian "common" teas are being sold in London at 4s. 4½d. per pound against 2s. 9½d. a year ago and a depression "low" of 1s. 6d. (in September, 1952). As the statistical position appears to be strong there is good reason to be quietly confident of a continuance of good returns, though costs of production are on the up-grade. As is not unnatural, this condition of semi-scarcity has benefited common and medium quality teas much more than it has the higher grades.

A DEVELOPMENT AND FINANCE CORPORATION

Among Government projects it has been announced that a Development and Finance Corporation is shortly to be formed and it is understood the Corporation will be supported by the International Bank for Reconstruction and Development. Its function will be to develop industries for which sufficient private capital is not forthcoming.

We welcome sound ventures of this kind, for, particularly when capital is shy as it is

in India at the moment, they fill a distinct gap.

At times it has been suggested that banks should undertake finance of this nature and the original German system, whereby the banks invested directly in industry and had nominees on company boards, is sometimes quoted as a pattern. I do not think the experience of the German banks was particularly happy and the position of being simultaneously part owner and banker is a distinctly invidious one, not only in itself, but vis-à-vis other constituents; but the overriding objection is that a bank's deposits are largely "at call" and for that reason alone it is quite wrong to commit them to long-term capital investment.

The Finance Minister has just presented his Budget in which he proposes no new direct taxes but takes the bold step of budgeting for a deficit of £187,500,000 (capital expenditure is estimated at £296,250,000) partly because in his words "the period of inflationary stresses is now well behind us." This is a welcome reassurance.

PAKISTAN

Most recent figures show that Pakistan after some travail has again achieved a favourable balance of trade. Because the effort was somewhat long delayed the methods perforce had to be drastic. Imports were cut to the bone and duties on luxuries much increased. Concurrently there has been no disposition to withhold from world markets supplies of her available products, principally cotton and jute, and her available resources have continued to be invested in textile and jute mills and other industries which are now steadily going into production. In manufactured jute goods Pakistan aims at a total production of 200,000 tons by 1956. They also hope to replace by local production their present considerable imports of textiles.

A better monsoon should ease Pakistan's food position which is her principal preoccupation on the economic side. Altogether the picture is a brighter one than it was possible to present a year ago.

Unfortunately, the flow of trade between India and Pakistan remains weak and there are many mutual questions still awaiting settlement.

BURMA

Burma had a somewhat mixed year. The Government has made great strides in extending "law and order" and deriving from that the cultivation of rice increased considerably. 1953 also saw the initiation of many capital projects which over a period of years will cost large sums in foreign currencies. These projects are largely designed to increase production and generally to make the country more self-supporting. It is good to see that the improvement of Rangoon and other ports and of inland water and other transport is high on the list, for these are urgent measures if her increased surpluses are to be exported.

The source of the money needed to finance these schemes must come mainly from Burma's rice exports for which, until a year ago, she was realising high and increasing prices. Since then, however, the trend of world rice markets has been reversed, and until quite recently Burma was the possessor of an unsold balance from the 1952-53 crop of about 750,000 tons. The bulk of this has

now been sold to India though much of it has still to be shipped.

CEYLON

The Government has grappled manfully with the twin problems of her external balance of payments and her internal budget solvency and in 1953 had the help of buoyant tea prices and a steady yield from rubber under her barter agreement with China, but prices of her other main products, copra and coconut oil, have fallen steeply. Indirect aid will come this year through the fall in the cost of rice imports, a saving which may well total over £5 million over the year.

Economic help in the form of loans is likely to be afforded from both the USA and the UK to assist Ceylon to complete certain capital projects on which she has embarked, and a continuance of a sound budgetary policy will I am sure bring back her finances to equilibrium.

As India is doing, Ceylon also hopes soon to have a Development Corporation from which funds will be available for sound industrial development; but as with India, Ceylon's major problem is a rapidly rising population and a much less rapidly increasing food production.

THE "COLOMBO PLAN"

To the benefit of all four countries which I have mentioned, the "Colombo Plan" continues to function with growing momentum and increasing sums are being spent, supplied partly by the countries themselves and partly by the UK, the USA, Canada, Australia and New Zealand.

Very rightly agriculture and electric power are two first priorities and encouraging progress has been made in both fields, but much more is wanted both in money, that is, internal savings and external aid, and in human effort including considerable technical assistance from outside sources, if the programme is to achieve and maintain the required momentum and results.

CONVERTIBILITY OF STERLING

After dealing with conditions in East Africa and other countries in which the Bank carries on business, he continued: A subject and a query never far from the minds of bankers and business men is convertibility of sterling—when and how—and the possibilities have had considerable discussion, for about the desirability there is no divergence of opinion. In my opening remarks I said something of the advantages that would accrue to international trading. Every shipowner, I am sure wishes to see convertibility and every primary producer should wish to see it.

"We are told we are creeping nearer to the goal by achieving a more favourable balance in gold and dollars but the "powers that be" are shy of committing themselves beyond that—why? I also believe that "convertibility" unless it is total is of little use to us. I do not believe that a currency—any more than a man—can function happily or effectively half slave and half free and currencies have a way of escaping when there have to be bars, for money has a liquid character and like water somehow contrives to find its own level. My belief is that we shall get convertibility at no early date, my hope that it will be possible sooner than I expect.

Again I wish to express sincere thanks to a loyal and enthusiastic staff. I personally have met a great many of them and know they have a keen interest and great pride in the bank.

Finally, with such a management and staff and our resources and organisation behind them, I look forward to the immediate future with confidence.

SCOTTISH AMICABLE BUILDING SOCIETY

ANNUAL GENERAL MEETING

NEW SAVINGS OF £5,879,464

The sixty-second annual general meeting of the shareholders of the Scottish Amicable Building Society was held in Edinburgh, on Monday, March 15, 1954. The Rt Hon Lord Inverclyde, KStJ, DL, president, occupied the chair. After welcoming the shareholders and thanking them for their attendance, the president, in the course of his speech, said:

Despite the continued state of tension in world affairs, during the past year one seemed to sense a gradual and slightly more cheerful tone prevailing throughout the country than has been apparent for many years. Irrespective of world affairs, there is one subject which is always of general interest—not more so in any country than in Britain—and that is Housing.

I do not think there is one amongst us who does not wish to see all classes satisfactorily housed; because of that general feeling, Her Majesty's Government, although they have created a housing record, have shown that they appreciate there is a need for a change in their future housing policy. Their declaration that they would be prepared to permit the building of new houses for owner occupation has been welcomed, not only by those who for so many years have wished to become owner occupiers, but by those who for so many years have been gravely concerned at the cost of housing subsidies.

The president stressed that the people who wished to do so, should have the opportunity of providing a house for themselves. The housing industry surely should respond to the Secretary of State's appeal and build soundly constructed houses of the smaller type—to suit the income of people with £8 to £10 weekly. There is already evident a very pleasing tendency for this type of house to cost less.

A SLOGAN—WORK AND SAVE

The president continued—savings are of first importance to our country—as important now as at any time during the war years—and capital is vital for the development of industry not only in this country but in our Empire. If, in the years which lie ahead, people would adopt as their slogan "Work and Save," I feel there would be a revival of hope and confidence which would result in our working together in the rebuilding of our country's prosperity.

In this connection, it is gratifying to find that so far as this society is concerned, there is an increase in share investments and deposits for the past year of £1,391,871.

When I first became associated with this Society in 1941, then as trustee, the total assets were £5,390,500: today the assets total £20,783,266. This is an achievement which is very gratifying to all of us. You will not, however, desire me to dwell on this but rather to make some reference to the results of the past year.

New investments during the year amounted to £5,879,464. The sum advanced during the year amounted to £2,661,876. Mortgage assets now total £15,685,492, showing a net increase of £698,751.

At this point I should like to compliment our borrowers on the manner in which they have fulfilled their obligations. It is interesting to note that against mortgages of £15,683,235, borrowers' interest in arrear and interest accrued at the end of the financial year amounted to only £2,257.

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The total assets, as I have said, amount to £20,783,266, an increase of £1,494,086.

IMPRESSIVE LIQUID ASSETS

Investments are in trustee securities, purchased at par or under, which, together with cash at bank, amount to £4,743,712, equivalent to 24.1 per cent of the total sum standing at the credit of shareholders and depositors. Office premises stand in the balance sheet at £236,666 against a conservative valuation of £600,000.

After placing £5,000 to depreciation, the profits available for allocation amount to £460,680 14s. 10d. as against £429,878 7s. 7d. for the previous year. The directors, after placing £77,000 to reserve funds, equivalent to 16.7 per cent of the divisible profits, recommend allocating interest to unadvanced shareholders at the rate of 2½ per cent (income tax paid) for the year ended January 15, 1954, leaving a balance of £28,319 9s. 9d. to be carried forward.

The President stated that these figures were very impressive and showed extraordinary progress and development, reflecting a most successful year.

It is obvious that the investors retain absolute confidence in the Society and, from the report just submitted, it is also obvious that a substantial number of friends have been acquired as new investors and borrowers.

In moving that the annual report and accounts be adopted, Lord Inverclyde paid tribute to the management and staff for the efficient manner in which they have carried out their respective duties.

Mr John Cameron, DSC, DL, LLD, QC, Dean of Faculty, a trustee, seconded the motion and the report was unanimously adopted.

EASTBOURNE MUTUAL BUILDING SOCIETY

ASSETS EXCEED £6 MILLION

The seventy-seventh annual general meeting of the Eastbourne Mutual Building Society was held on March 17th at Eastbourne.

Mr Laurence A. Caffyn (the chairman), in the course of his speech, said: It has always been my pleasure at these meetings to tell you of the growth and stability of the Society, and this year is no exception. The figures this year are as encouraging as ever.

The total assets of the Society have increased by £471,000. This increase is not a record, but the total assets of the Society as at December 31, 1953, are £6,279,787, the highest ever recorded. There are now 12,351 members and depositors in this Society. In the year 1953 alone the Society added to its number nearly 300 investing shareholders.

One of the principal aims of the building society movement is the encouragement of thrift, and your board has laid special emphasis on this aspect of its work throughout the year. The Eastbourne Mutual will accept investments from 10s. to £5,000. The return offered by the Society to its shareholders is 2½ per cent, and the income tax thereon is paid by the Society. Home ownership is also recognised as a particularly good form of saving. Nine hundred and twenty advances totalling over one million pounds were made during the year to help people to buy their own homes.

The results of the year's trading have also been satisfactory. If 1954 continues as it has started, we should have another happy meeting a year hence.

The report was adopted.

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ENGLISH ELECTRIC COMPANY

RECORD TURNOVER—EXPORT PROBLEMS

MEANS TO IMPROVE COUNTRY'S ECONOMIC POSITION

The thirty-fifth annual general meeting of the English Electric Company, Limited, was held on March 17th in London.

Sir George H. Nelson, FCGI, MIMechE, MIEE (chairman and managing director), in the course of his speech, said:

Once again I am able to announce a further substantial increase both in production and turnover which fully justifies the additional manufacturing facilities already in operation and further extensions at present in hand. This increase in production has of course been associated with a still further increase in the number of our employees.

The orders in our books ensure the maintenance of our 1953 volume in 1954, but, while home orders in 1953, as a result of marketing our new products, exceed those of 1952, competition from overseas manufacturers in the export markets for our well-established products has greatly increased, prices and contract conditions are much less attractive, and the volume of orders for export markets in 1953 has fallen by comparison with 1952.

The balance on our trading account is £6,489,863 and, after charging depreciation of £1,262,460 and adding interest and dividends on trade investment, less income tax, namely, £50,845, there is a net trading balance, before taxation, of £4,779,920 compared with £4,359,034 in 1952, being an increase of 9.6 per cent.

Breaking down these 1953 earnings in the same way that we have done for some years, you will see that every £100 we received from our customers in 1953 was expended as follows: Materials, including bought and finished articles, £50; wages and salaries, £29 12s.; depreciation, maintenance, power, heat, light, rent, rates, insurance, etc., £13 5s.; interest on debentures, bank overdraft and bills, £1; taxation, £4; savings retained in the business, £1 7s. and net dividends on preference and ordinary stocks, 16s.

THE ECONOMIC POSITION

In looking to the future I still believe, in spite of greatly increased competition in overseas markets, that if we maintain our efforts the economic position of the country can continue to improve by the following means:

(1) By maintaining our technical lead; (2) by increasing production; (3) by providing a lower cost; (4) by providing incentives for extra output.

The managements of industry must give their workpeople every opportunity to earn reward for extra effort, and additional earnings should arise solely from this avenue based on a stabilised basic wage, for increases in wages unrelated to output make no contribution to the improvement of the economic position of the worker or of the country.

Much of the engineering industry, and certainly your company, provide generous incentives. Obviously the application of incentives must vary with different industries, but in your company opportunities are available for very substantial additional earnings in return for extra effort.

CANADIAN MARCONI COMPANY

During the year we had the opportunity of purchasing the control of the Canadian Marconi Company. This transaction means that the historic association between the English and Canadian Marconi Companies

has been restored; the close collaboration which has always existed between them will be strengthened and the Canadian daughter company will receive every sort of assistance to expand the range and scale of its products in the interests of Canada.

EXPORT BUSINESS

Our Company, as exhorted by successive Governments, has made every endeavour to expand its overseas business to meet our country's need, by entering markets in which we have hitherto taken no direct part, and nothing has given us greater satisfaction and stimulation than the receipt of orders in the United States of America which contribute dollars needed by us to pay for our essential purchases from USA.

RESEARCH AND DEVELOPMENT

Expenditure on research and development in our normal business is even greater than in previous years and continues also to be maintained at a very high figure in the defence field; the latter, of course, arises from the very heavy burden of expenditure on national defence which, unfortunately, it is still necessary for the country to bear.

OUTSTANDING ENGINEERING EVENTS OF 1953

"THE CANBERRA."—You will have shared the pride of every employee of this Company in the continued achievement of the "Canberra" jet bomber, which, since I addressed you in March last year has set up six new world records, so raising its total to thirteen.

STEAM TURBINES.—A number of large turbo-generating units were commissioned overseas during the year, including the third and fourth 66MW sets at the J. Clark Keith Generating Station of the Hydro Electric Power Commission of Ontario, three more of the 10 30MW sets at Vierfontein, South Africa, and the third 30MW set for Pretoria Municipality.

WATER TURBINES.—At present we have orders for 37 major units totalling over a million horsepower.

An order for two very large water-wheel generators was awarded to your Company by the United States Army Corps of Engineers, for the power station at McNary Dam, USA. We have also secured in Canada an order for what we believe to be the most powerful water turbines in the world, namely, four units of 175,000 h.p. for the Quebec Hydro Commission's Bersimis power station. These turbines will be built in one of the factories of our associated company in Canada.

TRACTION.—This year's traction production includes 25 streamlined passenger or freight 2,400 h.p. electric locomotives with rheostatic braking, for the Victoria Government Railway, Australia. They are giving every satisfaction in service.

In the Diesel electric field 10 1,500 h.p. locomotives powered by the Company's 12SVT engine have been shipped to the Queensland Government Railways and are working between Brisbane and Cairns, a run of 1,000 miles in each direction.

We have commissioned extra high voltage airblast circuit-breakers in Canada, Tasmania and for the BEA. Large oil circuit-breaker installations have also been commissioned at home and in various parts of the world, including Australia, India, South Africa and Kuwait.

The report and accounts were adopted.

MARCONI'S WIRELESS TELEGRAPH COMPANY, LIMITED

RECORD TURNOVER

SIR GEORGE NELSON'S SPEECH

The fifty-sixth annual general meeting of this Company was held on March 17th in London.

Sir George H. Nelson, FCGI, MIMechE, MIEE, the chairman, in the course of his speech, said: I am glad to report again a very satisfactory year's working. The turnover is the highest recorded in the history of your company. The profit is £887,283, which is £285,579 more than the previous year. Your directors recommend a dividend of 7 per cent, less tax, on the ordinary shares.

AERONAUTICAL: The demand for our airborne and ground communication equipment and navigational aids by leading airlines, aircraft manufacturers and airport companies at home and overseas remains at a high level. The progress made in advanced development in systems and methods of air communication should ensure substantial business in these fields for years to come.

RADIO COMMUNICATIONS: Your company is, as you know, one of the few—perhaps the only—commercial communications manufacturing organisation which devotes real effort to the study of radio propagation.

TELEVISION

In television we can look back on this year with exceptional pride, for it was our television cameras and control equipment which were used exclusively by the BBC for their superb televising of the momentous Coronation service in Westminster Abbey. Tens of millions of viewers will never forget those wonderful scenes taken and transmitted with such fidelity by our equipment. We also carried out at very short notice indeed the installation of a television transmitter in Ottawa to enable the people of Canada's capital to view the film of the Coronation on Coronation Day itself.

The year has also seen the inauguration of a television service for Italy for which your company was honoured with the largest single television export order ever given to one manufacturing company.

Our chief source of pride is the award of the order for vision and sound transmitters for the future BBC London station at Crystal Palace. We are confident that the new station, which is due to open in 1956, will be an example to television engineers for years to come throughout the world.

We are proud to have contributed a great deal of special equipment to the *Gothic* for her present Royal Tour, including the installation of a transmitter of unique power for a merchant vessel. It is the transmitter which has kept Her Majesty in touch with home.

During the year we have completed the programme for equipping with radio beacons no less than 45 lightships and lighthouses in the United Kingdom home waters.

Your company is also responsible for the design, manufacture and supply of equipment to The Marconi International Marine Communication Company, the major supplier of communication and navigational aid equipment to the Merchant Navy. Our marine radar equipment—the Radiolocator—is acknowledged as being unsurpassed in quality, performance and, of greatest importance, of all, reliability.

Our research and development in the year under review have been on a greater scale than ever before. The report was adopted.

JUTE INDUSTRIES

DECONTROL OF RAW JUTE

ASSURANCE OF PROTECTION

INCREASED HARD CURRENCY EARNINGS

MR W. G. N. WALKER'S STATEMENT

The thirty-third annual general meeting of Jute Industries, Limited, was held on March 15, 1954, in the board room of The Association of Jute Spinners and Manufacturers, 5 Cowgate, Dundee, Mr W. G. N. Walker (chairman and joint managing director) presiding.

The Secretary (Mr W. A. Jeffray, CA) read the notice convening the meeting and the report of the auditors.

Addressing the meeting, the Chairman said: With your permission I will take the accounts and the report of the directors as read. (Agreed.)

JUTE CONTROL

On February 16, 1954, an announcement of the greatest importance to your company was made in both Houses of Parliament. The statement in the House of Commons was made in the following terms:

"In accordance with the Government's policy of restoring trade to private channels, it has been decided that the purchase and importation of raw jute by the Jute Control shall cease at an early date following discussion with the industry, which my noble friend (Lord Woolton) will institute immediately. Public trading in imported jute goods must continue meanwhile until appropriate measures to safeguard the United Kingdom jute manufacturing industry under conditions conducive to efficiency can be worked out and introduced. The Government is giving full consideration to this problem, but cannot promise any early solution."

The Government's decision to safeguard the United Kingdom jute manufacturing industry is the culmination of representations made to this end by the industry over the past 30 years.

Up to the declaration of war in 1939 the UK jute manufacturing industry was the only jute manufacturing industry in the world which was not protected by its own government against the importation of Indian goods. The result of this in the inter-war years was the creation of a depressed area in Dundee and district, where unemployment was very high, wages were low, profits were negligible, and little, if any, money was available for modernisation of machinery and for research and development of manufacturing processes. The advent of control in the war years gave a measure of protection which has existed until now.

We, in Dundee, are grateful to the government for facing up to the situation and deciding to protect the industry on a basis conducive to efficiency. In doing so the possibility of large scale unemployment has been removed and the strategic necessity of maintaining a healthy and progressive industry in the UK has been recognised.

While I do not wish to reiterate what I said at some length in my speech to you in March, 1951, I should, I think, remind you that it was the existence of a healthy and versatile home industry at that time which alone obviated a major packaging crisis when India cut off supplies of standard goods to the United Kingdom. The following quotation from my speech in 1951 is pertinent in that it is the assurances asked

for then that have now, in effect, been given by HM Government:

"The merchandising part of our business which deals in Indian imported goods has already suffered a severe blow at the hands of India, who has let down the United Kingdom, her second largest customer; the longer India leaves this country without jute goods the more harm she is going to do to herself. India cannot expect to use the United Kingdom as a market for the surplus production which she cannot sell elsewhere. A large quantity of imported goods will always be required, but surely in the national interest the time has come when our government, having, I hope, learnt a lesson, should give the home-producing industry an assurance that manufactured goods will only be imported as a balancing factor to cover the demands which cannot be met by the home-producing industry rather than home production being a balancing factor to cover the demands not met by imported goods."

Although the decision of HM Government to continue the present method of safeguarding the home industry may only be an interim one, it appears to be the only practicable course open at the moment. It is also probably, from the point of view of the consumer, the cheapest method of affording effective protection, while at the same time ensuring supplies.

During the period of control a remarkable spirit of co-operation has grown up between the various sections of the industry, and between employers and employees. This unity of purpose has enabled the industry to pull together and to carry through an impressive programme of re-equipment and modernisation. With long-term assurance of protection the industry should be able to look to the future with more confidence than has existed in the past.

PROFIT MARGINS

It is difficult at this stage to interpret the Government's definition of efficiency, but it is clear that any safeguards given will not be an umbrella under which the inefficient can shelter. The existing methods of Government price control on margins may be retained, but this would be a small price to pay for long-term security.

As the future prosperity and earning power of your company may depend on margins allowed by HM Government I should, I think, analyse the effect which these have had on our profits over the last five years. The figures which I will give you embrace the major manufacturing activities of your company, and account for rather over two-thirds of the group trading surplus shown annually.

INDEX OF PRODUCTION AND PROFITS

Year ending Sept. 30	Level of production	Profit, less Inland Revenue depreciation allowance	Profit per unit of production
1949	100	100	100
1950	115	101	100
1951	139	115	100
1952	131	111	104
1953	161	131	85

* Trade recession.

The figures for the year ending September, 1949, are expressed in each column as 100, and for comparative purposes those for the

four subsequent years have been related thereto.

During the latter years we would not have been able to maintain satisfactory profit figures had it not been for greatly increased production and by the introduction of the latest machinery which lowers conversion costs. It can also be deduced that, comparing 1953 with 1951, while production has increased by 16 per cent, profits have decreased by 9 per cent and the profit per unit of production has decreased by 22 per cent. Under the present method of control of profit margins only the efficient can live and there is thus a very real incentive to maximum efficiency and minimum production costs with resultant benefit to the consumer and the nation.

RAW JUTE

The handing over by the Government of raw jute to private purchase will throw considerable extra financial burdens on to your company. We do not expect to feel the effect of this for some months, nor is it possible to give any indication of the sum which may finally be involved. Suffice it to say that, at present raw jute price levels, each week's raw jute held by us requires approximately £100,000 of finance.

During the financial year under review, raw jute supplies were adequate both as regards quantity and quality. The position today may not be quite so favourable, due to Pakistan having restricted her 1953-54 crop by more than 50 per cent. In quantity there is probably sufficient to meet world's requirements, but there are signs that the higher grades may be in short supply before the next crop comes to be marketed.

It would appear from reports received here that Pakistan is to restrict the crop now being sown: it is hoped that she has taken into consideration her good fortune in having had favourable weather for her last three crops—unfavourable weather for the next crop could under the circumstances, have serious repercussions.

Pakistan's policy of restricting acreage sown under jute has, together with the exchange value of her rupee, had the effect of keeping Pakistan raw jute prices approximately 15 per cent above the price at which Calcutta mills can buy the equivalent quantities of Indian-grown raw jute in their internal markets. Pakistan's action has handicapped her customers—the jute spinning and manufacturing industries of the world—and has made it increasingly difficult for them to compete in world markets with Indian produced goods. While this is a delicate subject, it is my duty to draw Pakistan's attention to the results of her policy.

EXPORTS

The products of your company have always played a large part in indirect exports. Since the restrictions on direct exports were removed in 1951, we have made considerable progress in this direction. I am glad to be able to report that jute piece-goods exports of our own manufacture have increased by 22 per cent in 1953 compared with 1952, and that the level is still rising month by month.

cent of our exports in 1952 went to hard currency markets, the 1953 percentage rose to 79 per cent. We are now a large earner of hard currency.

Your directors have not been lulled into a false sense of security by easier conditions in the home trade, and have exports very much in mind. With this end in view they have decided to reinforce their efforts by floating a new subsidiary company—JUTE INDUSTRIES (EXPORTS) LIMITED.

CAPITAL COMMITMENTS

The capital commitments at September 30, 1953, amounting to £628,000 will have been to a very large extent incurred during the present financial year. While some of this expenditure is purely replacement of machinery which is no longer serviceable, the greater part of it should further increase production and efficiency.

No commitments have as yet been incurred in connection with the erection of manufacturing premises on the site of 21 acres acquired in an area earmarked for industrial development to which I made reference last year.

DEMAND

The demand for your company's products is well maintained and every effort is being made to increase production and use the machinery and labour force at our disposal to the best advantage. Subject to unforeseen circumstances results next year should again be satisfactory.

CAPITAL STRUCTURE

The capital of your company was reconstructed in 1929 when the issued capital was written down from £4,500,000 to £1,650,000. Your directors are of the opinion that the time is approaching when steps should be taken to bring the issued capital of £1,650,000 more into line with the capital now employed, and also to modify the highly geared nature of the present capital structure. To effect this it will be necessary, subject to the consent of the Capital Issues Committee, to capitalise certain of the company's reserves. I shall be communicating with stockholders on this subject at a later date.

Finally, I am sure you would wish me to convey to all executives, management, staff and employees at home and overseas your most sincere thanks for their work over the past year. Their keenness and enthusiasm in tackling the many difficulties which constantly arise is worthy of the highest praise.

The report and accounts were adopted.

SITTANG VALLEY RUBBER ESTATE, LIMITED

DIVIDEND 20 PER CENT

The nineteenth annual general meeting of the Sittang Valley Rubber Estate, Limited, was held on March 11th in London.

Mr E. G. Estall, chairman, in the course of his speech, said:

The net profit of over £39,000 is only some £5,000 less than the preceding year. This is mainly brought about by an increase in the crop to 1,331,652 lb, which is more than 66 per cent over that harvested for the previous year, and against an estimate of only 1,250,000 lb. Your directors have recommended a distribution of 20 per cent, less mended a distribution of 20 per cent, less tax at 9s. in the £, and this actually absorbs £2,733 more than the company has earned.

Mature Rubber.—The whole area of 4,274 acres was under tapping at December 31, 1952, with the exception of 33 acres on

Rainfall.—149.91 inches of rain were recorded for the year under review which was nearly 21 inches more than that for the previous year, but no less than 87.88 inches fell during the 1952 monsoon.

Local Situation.—Conditions in Burma generally remain unchanged.

Currency Restrictions.—I would once more remind you of the impossibility of remitting surplus assets in Burma to the UK. As mentioned in my previous review, all London expenses plus any dividends declared can be remitted, but there is tremendous delay.

Mr W. J. C. Richards then addressed the shareholders and gave a review of conditions at present prevailing in Burma.

The report was adopted.

BORAX CONSOLIDATED, LIMITED

GOOD RESULTS

The fifty-sixth annual general meeting of this company was held on March 17th in London, Mr D. Abel Smith, MC (the chairman), presiding.

The following is an extract from his circulated statement for the year ended September 30, 1953:

The results for the year under review have been good; in fact they have only twice been bettered in the history of the company. The overall demand was at a very healthy level but wages and some costs increased again. If the results of the first quarter of the current trading period are maintained, we should again have a satisfactory year.

The trading profits of the group are £1,385,539 against £1,337,297 last year. Investment income is £314,786 compared with £325,912 in 1952. Taxation accounts for £673,303, compared with £757,089 in 1952, leaving group net profits of £617,192.

After deducting from the profits of the group the profits retained by the subsidiaries (less the dividends they have paid to the parent company) the net profit of Borax Consolidated, Limited, is £556,448 against £445,866 last year.

CREDIT FACILITIES, USA

During the year an agreement was arrived at with our bankers in the USA, whereby they make available to the company credit facilities up to \$2,800,000, the present equivalent of £1 million. These facilities are at our disposal for a period of ten years, to the end of May, 1963. The company has made arrangements for its stock in the United States Potash Company to be held as security by the banks, but of course will continue to enjoy the income from that investment.

Although the company has a considerable cash balance now, your directors considered it desirable and advisable to arrange for these additional facilities in the USA, where our largest activities are centred. At the present moment we have no immediate expansion or diversification programme in hand, but considerable thought is being given in that direction and it may well be that we shall require substantial funds in the USA over the next ten years. Your board considers the credit agreement very advantageous.

Adverse selling conditions, together with increases in labour and certain other costs during the year, affected the profits of the United States Potash Company and the directors of that company have wisely considered it best in the long-term interest of the stockholders to omit the extra dividend—we would call it the bonus over here—when declaring the December, 1953, dividend.

The report was adopted.

BRITISH HOME STORES

MR HORACE MOORE'S STATEMENT

The twenty-sixth annual general meeting of British Home Stores Limited was held on March 17th in London. The Rt Hon The Earl of Lisburne, JP, presided in the absence of the chairman through illness.

The following are extracts from the circulated statement of the chairman, Mr Horace Moore:

Profit before taxation was £1,203,406, an increase of £21,232. Profit after taxation was £428,406, which compares with £394,674 in the previous year. I am pleased to report that once again cash turnover was higher than in any previous year. While trading profits were ahead of 1952, our results were affected by some adverse factors, the most important being weather which, from a seasonable point of view, was the most contrary in our experience. The goodwill which we have built up over years is one of our most important assets, and we continue to foster this in all possible ways. We have continued our efforts, in collaboration with our manufacturers, to produce ever improving standards and values in our goods, and we find a growing demand from the public for the new and different.

While progress in connection with the restoration of bombed stores and the extension of existing facilities has not been as great as we would have liked, I am able to report a somewhat better forward position than a year ago. In November, 1953, we opened our new store at Exeter. We anticipate opening around the middle of this year the first section of our new Sheffield store. Construction has commenced in Coventry, and after demolition we shall proceed with building in Cardiff.

Both these stores will be among our largest units, but will not be completed during 1954. The Sheffield and Coventry stores will replace existing small temporary stores in these towns. We are hopeful that by the end of the current year work will be in progress on two other major stores, and further headway will be made in the extension of selling space in existing stores.

PURCHASE TAX

While we welcomed the purchase tax reductions made last April, we look forward to the day when it will be possible to remove altogether this arbitrary tax. We do consider that some scheme should be devised whereby when reductions are made the losses do not, as at present, inevitably fall on the retailer.

The taxation changes announced in last year's Budget reduced to some extent the enormous weight of taxation under which businesses have been operating. The reduction in the rate of income tax gave some relief to all, while the abolition of the excess profits levy was particularly appreciated. You will observe that for the year under review a provision has been made of £95,000 for excess profits levy which is the same as in the previous year.

I would like to take this opportunity of thanking our many suppliers for the valued support given to us. We have continued to pool our ideas and experiences in the constant endeavour to deal with the rapid translation of public demand into merchandise of sound value and appeal.

It gives me great pleasure once again to express the appreciation of the directors of the effort of all our employees throughout the year. I thank them for their loyalty and co-operation.

We are, I think, fully conscious of our problems and we shall spare no effort in our endeavour to bring the results of the current year to a satisfactory conclusion.

The report was adopted.

JOHN WHITE FOOTWEAR HOLDINGS, LIMITED

YEAR OF CONTINUED PROGRESS

INCREASED PROFIT AND DIVIDEND

SATISFACTORY HOME AND EXPORT TRADE

MR JOHN WHITE'S STATEMENT

The twentieth annual general meeting of John White Footwear Holdings, Limited, was held on March 17th at "Prospect House," Higham Road, Rushden, Northamptonshire, Mr John White (chairman and managing director) presiding.

The Secretary (Mr L. W. Bradshaw) read the notice convening the meeting and the report of the auditors.

The following is the statement by Mr John White, founder, chairman and managing director of the company, in respect of the company's trading year, 1953, which had been circulated to shareholders with the report and accounts:

I am pleased to report that 1953 has been a year of continued progress for your company.

FINANCE

The group trading profit is £255,062, an increase of £59,394 over 1952, and, accordingly, your directors are pleased to recommend an increase in the ordinary dividend of 5 per cent, making a total for the year of 31½ per cent. The amount of carry forward on the profit and loss account has increased to £361,907.

Consideration is being given to the advisability in future years of a more approximate equalisation of interim and final dividends. Any increase, therefore, in next year's interim dividend should not be taken as an indication of a higher total dividend for the year.

The consolidated balance sheet shows stocks at £531,949, a decrease during the year of £39,338. This figure is £346,355 lower than the 1951 figure, when it was thought advisable to create a stock reserve of £100,000. I am pleased to report that these stocks have been carefully and profitably liquidated and the present figure represents our normal trading requirements; and I think it should give shareholders great satisfaction that this reduction has taken place without the necessity of drawing on the stock reserve which was created. In view of the more normal trading conditions and stable prices now ruling, your directors feel that this specific reserve is no longer necessary and it has accordingly been transferred to profit and loss account.

In my statement last year, I referred to a possible revaluation of our fixed assets. A professional valuation of the group's freehold properties has been carried out and their present market value, to a going concern, has been certified at "not less than £330,000." This figure has, therefore, been incorporated in the accounts and the resulting surplus of £165,522 over the existing book values has been transferred to "capital reserve." It is thought prudent, however, to leave the company's plant and machinery at their present written down value. Their true value is, of course, greatly in excess of that shown in the balance sheet.

HOME TRADE

Your company's trade in the home market has again been maintained very satisfactorily. Of particular interest is the fact that this

year, a much greater percentage of our turnover has been in the higher-priced ranges and I feel that this shows a strong preference by the public for a fully guaranteed shoe, built to a dependable standard. Nevertheless it is becoming apparent that we are entering a period of greater competition, and our new season's range has been designed to include a selection of styles at prices that will enable our customers to meet any form of competition that may arise, from whatever source and however keen this may be.

During the year under review, our excellent contacts with our friends in the retail trade were further maintained by special regional displays in large population centres, where we were able both to show the complete range of our many up-to-date styles and strengthen our existing good relations with our retailers. These shows were highly successful both from the point of view of the numbers attending and the orders booked. Over three hundred new accounts were opened during the year under review.

A marked feature of the autumn season was the development of a completely new range of shoes soled with "Plexor"—a new sooling material which has been proved to have three times the life of leather. I have great pleasure in reporting that our friends in the retail trade took up these Plexor-soled shoes with great enthusiasm and they have proved a tremendous success. "Plexor," which is exclusive to John White Footwear, Limited, has established itself as a valuable asset, both to the company and to our customers.

EXPORT

The optimism expressed in my last report regarding our export business has proved to be well-founded. All previous records have been broken, particularly those to dollar countries.

It has been our endeavour throughout the year to concentrate upon the better grades of footwear and in this respect I am pleased to report that results are most encouraging. In every market except where there is some particular restriction such as import licences, we show substantial increases over last year. Although it is apparent that competition is becoming more intense, 1954 has opened satisfactorily, a large dollar order being booked during the first few days of the year. It will be apparent from these remarks that export has hitherto constituted a very important part of our trade, nevertheless we feel there is still considerable scope for increasing this, and plans are now being considered to improve our distribution throughout the whole of the overseas markets. It is, in fact, our purpose to ensure that we are adequately represented wherever there may be a demand for British footwear.

ADVERTISING

Our steady use of national advertising in Great Britain has made the public more aware each successive year of the value of the John White signature on footwear—and I have great pleasure in reporting that, once again, our survey shows that the John White name is recognised and appreciated by an even

greater number of the public than ever before. We have also continued the policy of supporting our overseas agents with advertising campaigns which cover the widest possible circulation and for which we use every practical form of modern publicity.

The most helpful and outstanding campaign during the year under review was undoubtedly the launching of the range of shoes soled with "Plexor"—a new, modern material. Many forms of strong and informative advertising were used, both to the trade and to the public—in order to get their full understanding and acceptance of this attractive new material. We were not only very successful indeed in selling hundreds of thousands of "Plexor" soled shoes, but this completely new venture was also successful within a matter of a few months, to which our advertising helped very considerably.

PROPERTY AND PLANT

During the year our stockrooms at Hazelwood have been largely extended and in the coming year we plan to carry out much-needed extensions to our transport department. All our properties are in excellent state of repair and I have every reason to be proud of the conditions we are able to offer to our workpeople. Our plant and machinery are the best available and the most modern in design.

DEVELOPMENT OF PRODUCTION UNITS

I am pleased to report that production has now commenced at the new closing factory at Corby, that I mentioned in my last report. Here we have a most modern factory of some 10,000 square feet floor space situated in an area where there is an abundance of female labour. In equipping this factory we have been able to make use of the most modern machinery available and the layout is also on the most modern lines. During the past year we pioneered a training scheme which enabled us to start production at Corby with a nucleus of skilled local girls—and we are already well on the way to building up a first-class team of 150 to 200 operatives. This will eventually result in the production of some 15,000 pairs of closed uppers per week in this unit alone.

This extra production of closed uppers, which are already coming through the factory, will overcome a serious bottleneck of many years' standing, and by this means our overall capacity will be considerably increased. This factory brings our total number of individual manufacturing units to nine; the general layout of each of them being unique in the trade inasmuch as each of them is capable of producing its own special type of manufacture, and is also so versatile that at a few days' notice production can be changed to an entirely new type of construction to meet the needs of the changing seasons or our customers' requirements.

SOCIAL AMENITIES AND CULTURAL DEVELOPMENTS

During the past year a works brass band has been formed. This has already attained a very high standard indeed and holds

ECONOMIST, MARCH 20, 1954

promise of a very successful future. Our operatives have taken a very great interest in this new venture and to create still further cultural interest among the employees a male-voice choir is now being organised. Both the band and the choir will in due course compete for national honours.

We also have a very fine sports ground which offers facilities for many kinds of sport and amenities for healthy recreation among our employees and their friends. The sports committee has a very full programme planned for the coming season, which includes visits by various teams from firms engaged in shoemaking and leather and allied trades. It is our intention to foster a spirit of friendly competition between our employees and those of kindred trades.

APPRECIATION

Once again I must express my very sincere thanks to all the workpeople, managers, executives and directors—whose loyalty and ability have so largely contributed to the company's continued progress and success.

The report and accounts were unanimously adopted and the dividend as recommended was approved.

The retiring director, Mrs A. White, was re-elected and the remuneration of the auditors, Messrs W. J. Thompson and Company, having been fixed, the proceedings terminated with a hearty vote of thanks to the chairman, directors and staff.

BIRMINGHAM CITIZENS PERMANENT BUILDING SOCIETY

ASSETS NOW OVER £5 MILLION

The annual general meeting of the Society was held at the Imperial Hotel, Birmingham, on March 10, 1954.

The chairman, Mr George Howe, presided, and in moving the adoption of the report and accounts said:

The year under review is one which again records excellent progress. The total amount invested with the Society from members and depositors during 1953 was £945,325 and after allowing for the withdrawals there is a balance of £3,858,562 due to share members, an increase of £363,048 and £1,007,018 over the previous year. Interest at the rate of 2½ per cent tax paid by the Society has again been paid, equivalent where tax is paid at the rate of 9s. in the pound to a gross return of £4 10s. 10d. per cent.

Advances during the year amounted to £1,041,576. The balance now due was £4,597,938, an increase of £377,810. Applications to finance new houses and from sitting tenants formed a substantial part of the mortgage advances. Investments in Government securities and cash at bank amounted to £436,642, which represents 8.6 per cent of the total assets. The profit and loss account shows a gross income of £215,042. After allowing income tax and profits tax £47,765, management expenses £28,747, and other outgoings, the net profit was £116,496, which together with £13,567 brought forward from the previous year has been allocated as follows: £91,064 interest to shareholders, £15,000 transferred to general reserve account and £10,000 to mortgage contingency reserve. Total reserves and carry forward are £178,999. The total assets now amount to £5,052,180, an increase of £425,953.

The report and accounts were adopted and the retiring directors, Messrs L. Goode and W. Turner, were re-elected.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

STRONG FINANCIAL POSITION

In submitting the report and accounts for 1953 and the results of the quinquennial investigation as at December 31, 1953, to the annual meeting of The Scottish Provident Institution held in Edinburgh on March 16, 1954, the chairman, Sir Hugh Rose Bt, TD, drew attention to the continued expansion in new business. Each successive year of the quinquennium had established a new high record, the business of 1953 being more than double what had been transacted in the final year of the previous quinquennium. The total premium income now exceeded £3 million; the mortality experience was exceptionally favourable; the ratio of expenses to premiums was lower than in any year since 1918 and the interest yields, calculated on the total funds, had risen to £5 3s. 10d. gross and £4 1s. 6d. net. The total assets now exceeded £34 million, having increased by almost £2 million in 1953. This was indeed solid progress, steadily maintained.

RESULTS OF QUINQUENNIAL INVESTIGATION

The substantial surplus disclosed had enabled the directors to change the method of allotting bonuses in the common fund from a simple to a compound reversionary system. In this fund participation in surplus commences when the premiums paid, if accumulated with compound interest at 4 per cent, would amount to the sum assured. The first bonus addition is for the period from the outset to the date of allotment. Thereafter the policy shares quinquennially in respect of each year survived. The rates of premium charged are very low, being only a little more than the without-profit rates of other offices. In spite of these low rates, the excellent results had made it possible to declare bonuses at 22s. 6d. and 20s. per cent per annum for "Old" and "New" Series policies respectively. Endowment assurances with profits receive immediate bonuses at 38s. per cent per annum compound. All classes will, for the present, be entitled to intermediate bonuses at the same rates as those declared. The results in the common fund were especially gratifying as they afforded renewed evidence of the soundness of the principles on which the Scottish Provident had been established 117 years ago and strengthened the conviction that the "Distinctive System" of the Institution was the ideal system of whole-life assurance. Recent reductions in the rates of premium for new assurances kept the Scottish Provident in the forefront of the leading life assurance companies.

MILLARD TUCKER REPORT

In drawing attention to the specialist service which the Scottish Provident provided in setting up and assisting in the running of pension and life assurance schemes of all kinds, the chairman spoke of the large amount of business now transacted in this way. He referred briefly to the recent publication of the report of the committee set up by the Government under the chairmanship of Mr J. Millard Tucker, QC, to review the income tax law relating to pension schemes and to consider how the benefits of such arrangements could be made available to self-employed persons. He also expressed the hope that the Government would find it possible to implement the main recommendations in the report at an early date.

In concluding his remarks Sir Hugh Rose referred again to the excellence of the results he had been privileged to present and to the notable strength of the financial position which enabled the directors to look with confidence to the future bonus-earning power of this old-established mutual life assurance office.

The report was adopted.

CHURCHILL & SIM, LIMITED

(Timber Agents and Brokers)

DIVIDEND MAINTAINED

The accounts of Churchill & Sim, Limited, for the year ended December 31, 1953, show a consolidated net profit before taxation of £70,517. A final dividend of 19 per cent is being paid on the ordinary shares, making a total distribution of 25 per cent for the year, which is the same as in 1952.

The following statement by the chairman, Mr John C. Sim, was circulated with the accounts:

In the year under review the parent company's earnings have been well maintained although the consolidated profit of the group is lower than for 1952. Had it not been for a loss incurred by one of the subsidiary companies, the year's results would have been approximately the same as those of the preceding year. Reorganisation of this subsidiary is already far advanced. The possibility of such a loss was foreseen by your board some time ago, and was one of the reasons for which such a large contingency reserve was built up.

You will see from the accounts that this loss has been absorbed in the trading profit for the year. Your board consequently consider that the amount of the contingency reserve is now larger than necessary, and they have accordingly transferred £30,000 from contingency to general reserve. A further £10,000 has been allocated to general reserve from profits, bringing the total of this reserve up to £150,000.

DIVIDEND AGAIN 25 PER CENT

Your directors recommend a final dividend of 19 per cent on the ordinary shares, making a total distribution for the year of 25 per cent, the same total as for the preceding year.

Turning now to the course of business in 1953, I regret to say that Government restrictions have greatly curtailed your company's plywood turnover, but these restrictions will shortly be removed, giving the plywood trade greater freedom than they have enjoyed since before the war.

In November last the Government announced that consumption licences for softwood would no longer be necessary. The removal of this restriction on reselling in this country has virtually restored freedom to the softwood trade.

STEADY DEMAND FOR HARDWOODS

There has been a steady demand for hardwoods during 1953, and there are indications that this will continue, although some of the light hardwoods, which have been used in place of softwood, will have to find their proper level now that softwood consumer licensing has been abolished.

Your company has been largely instrumental in restarting public timber auctions which until the outbreak of war had been a familiar feature of its business for over 100 years.

A welcome feature of the year's trading has been the much fuller use made of the company's financial resources. This resumption of a traditional service to the trade is reflected in the large increase in the item "Bills Receivable" in the accounts.

In conclusion, I should like to welcome Mr Wallace, who returned to duty as the company's secretary during the year, and again to record the board's thanks to the assistant directors and staff, without whose conscientious work and loyal service your company could not have attained the results now before you.

At the annual general meeting held on March 16th the directors' report and accounts were adopted.

THE ATLAS STONE COMPANY

The twenty-third ordinary general meeting of The Atlas Stone Company Limited was held on March 17th in London, Mr Bernard Davis (chairman and managing director) presiding.

The following is an extract from his circulated statement: Our trading profit for the year amounted to £50,734, as compared with £73,499. There is a net available balance of £74,284, out of which your directors recommend a dividend of 10 per cent, less tax, leaving £64,201 to be carried forward.

The contraction of our profits has been due to a number of circumstances, the most important being the fact that certain contracts for which we had prepared ourselves to manufacture, did not materialise. Furthermore, the continuation of import restrictions coinciding with a tendency in the home trade to reduce stocks, the time lag between the promised release of more steel for licensed building and the placing of the order for roofing the buildings concerned, the increased cost of labour and raw materials and the severity and long duration of winter conditions in 1952-53, which, of necessity, added to our production difficulties.

New contracts have been obtained for the supply of large quantities of concrete units for coastal sea-wall defences, which provide continuity of production. At the same time your directors continue to be actively engaged in seeking new avenues for extending the company's business.

Results for the last two months of the

past financial year and the first two months of the current year show a satisfactory increase, as compared with twelve months ago.

The report was adopted.

SECOND BRITISH ASSETS TRUST LIMITED

REPORT AND ACCOUNTS FOR YEAR ENDED DECEMBER 31, 1953

CHAIRMAN'S REVIEW

The seventy-fifth annual general meeting of Second British Assets Trust Limited was held in Edinburgh on March 18, Mr Alastair C. Blair, chairman, presiding.

Under-noted is the chairman's review:

We have again had a satisfactory year, both our income and our valuation being higher than a year ago. The rise in income is due to continued industrial activity in America and to the more generous dividends of many British companies. While 1954 may see the beginning of a transition from cold war economy to something a little more flexible, we do not anticipate a major economic setback either here or in America, and I am hopeful that our revenue may be maintained for another year. We shall, however, have to provide for a full year's profits tax in our next accounts, as our deficiencies in liability over past years have now been entirely used up, but we hope it may be possible to divide a similar amount next year.

The valuation of our investments shows an appreciation over the book value at which they stand in the balance sheet of 44.5 per cent as against 41.2 per cent last year. As usual the London premium on dollar investments has been ignored.

The directors propose the capitalisation of £200,000 of undivided profits from the £700,000 standing at the credit of general reserve, to be devoted to the issue of ordinary stockholders of the remaining 200,000 ordinary shares of £1 each which were created as part of the scheme of arrangement in 1951 against the time when a bonus issue might become possible. This will provide one £1 bonus share for each £2 stock held, fractions being sold for the benefit of stockholders and the shares, upon issue, being converted into stock transferable in 5s. units. A resolution to approve the capitalisation will be put to the stockholders after the 1953

THE ECONOMIST, MARCH 20, 1954

accounts have been adopted, and if possible, renounceable allotment letters will be posted to ordinary stockholders on March 19th.

This is the last annual meeting at which Mr W. H. Fraser will be present as a director, and it is with great regret that we say farewell to him. During fourteen very busy years his wise counsel and his genial personality have been of inestimable value to the board and to the company. We hope that he will have many happy years of a more leisured life.

The report and accounts were adopted, and the capitalisation proposals were approved.

BARRACKS FABRICS PRINTING

POSITION OF EMINENCE MAINTAINED

The seventeenth annual general meeting of The Barracks Fabrics Printing Company, Limited, was held on March 17th at Macclesfield, Major K. G. Wilby (the chairman) presiding. The following is an extract from his circulated statement:

The net profit for the year ended December 31, 1953, is £90,590, after deduction of directors' emoluments and depreciation. Taxation again takes a very heavy toll at £36,150. The balance brought forward from last year's account was £34,025, making an amount of £68,465 to be dealt with. Your directors recommend a first and final ordinary dividend of 33 per cent, which, with the preference dividends, will absorb £23,650. To ensure some measure of dividend stability it is proposed to create a dividend equalisation reserve by the transfer of £25,000 from the profit and loss appropriation account. This will leave a balance of £19,815 to be carried forward.

I am pleased to report that business has continued to improve during the year under review. Our Stand at the British Industries Fair was most successful and although it is impossible to prophesy any cycle of trade, there is no indication at the moment of any falling off in the demand for the company's productions.

I have pleasure in tendering my thanks to the employees of the company, without whose loyal co-operation your company could not maintain and enjoy its eminent position in the section of the textile trade in which it specialises. The report was adopted.

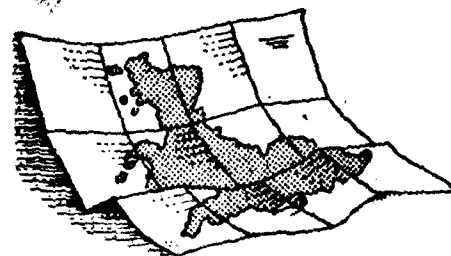
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ECONOMIST, MARCH 27, 1954



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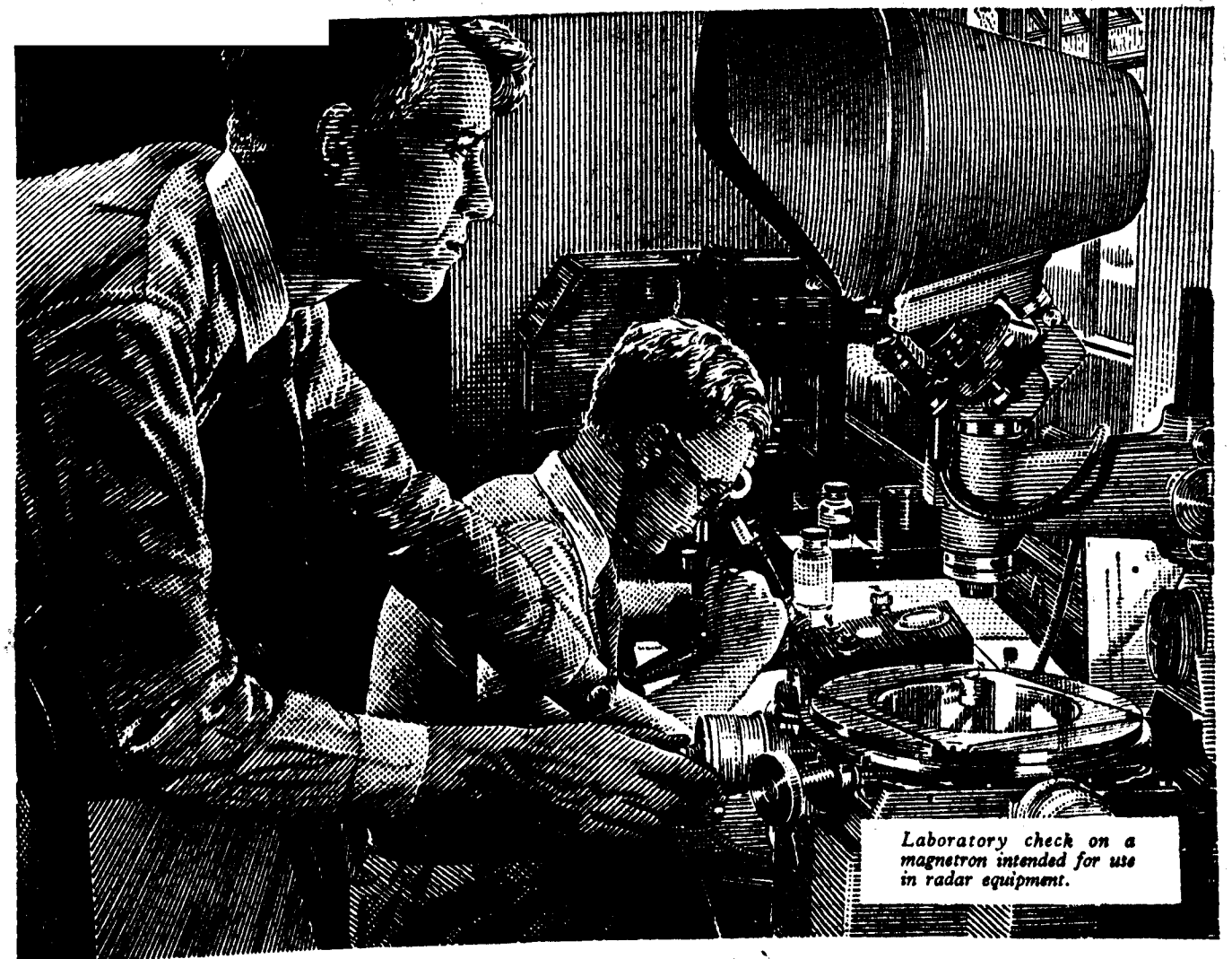
of an argument, are customers who can see the point of an advertisement. And readers who have absolute confidence in their chosen newspaper will extend it, willy nilly, to the products they see advertised in it.

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* Hulton Readership Survey, 1955

NEWS CHRONICLE

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 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.



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 wave-length 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 navigators 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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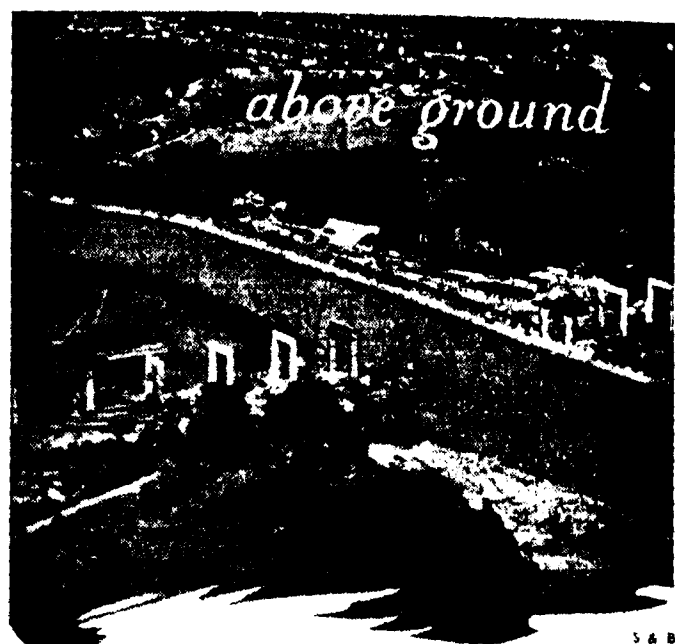
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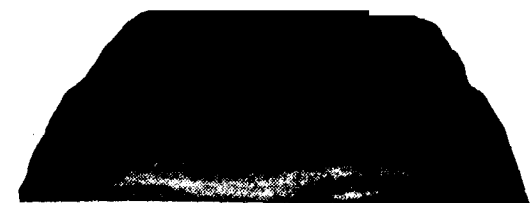
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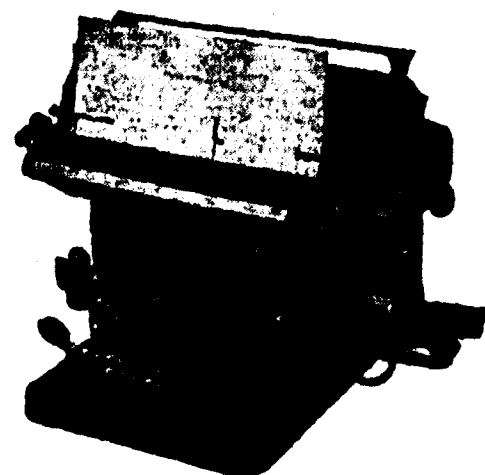
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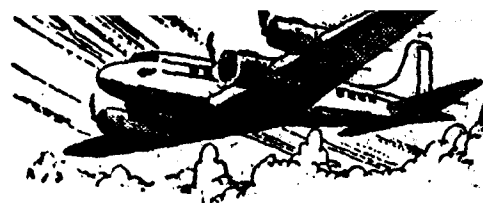
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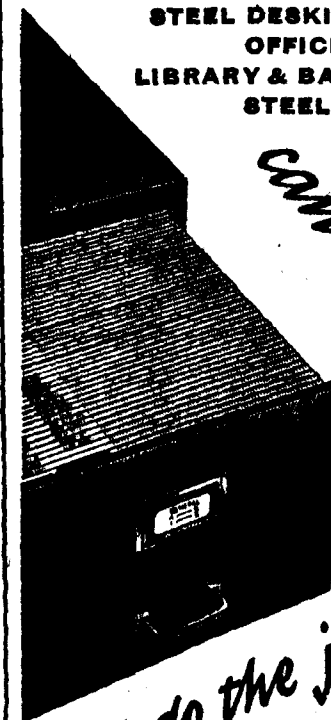
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MARCH 27, 1954

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Horizontal Weather

DEVOTEES of Lewis Carroll will remember that in the first chapter of "Sylvie and Bruno"—when the mob was shouting "Less bread! More taxes!", and the Chancellor was finding this very remarkable, especially at that time of the morning—a Professor bundled excitedly into the room and announced that the barometer was beginning to move. "Which way?" asked the Warden, "Up or down?" "It is moving sideways," said the Professor. "And what sort of weather does that mean?" asked the Warden, "Listen, children. Now you will hear something worth knowing." "It means horizontal weather," said the Professor, and made straight for the door.

Except for the shouts of the mob outside—and perhaps even without that exception if one moves among very exalted mobs indeed—this seems to be oddly prophetic of the state of the British economy on the eve of the budget of 1954. The best guess that any professor can make—and perhaps next week's Economic Survey will make it—must be that horizontal weather probably lies ahead. There is at the moment no very potent excess of demand that needs to be whittled down; and no obvious slack in the economy that can be taken up. If Mr Butler were to rise to his feet on Tuesday week, announce that he had no budget changes to make, and then sit down again, he would be applying to the facts of today the principles that every Chancellor since 1947 has adopted. He would leave the economy plodding as closely as anybody can guess along its present chosen course between the primrose path and the waste land.

It may be that this is just what he will do. The principal deterrent must be that to the sunshine Chancellor of the last two years such a budget would look dreadfully dull. It should also look worse than dull to the public, once they realise what it would mean. For Britain stands today in the closing stages of a financial year in which everything—the terms of trade, the trend of production, even in these last few weeks the course of savings—has gone magnificently right; and yet the recipe seems to be that the burden of taxation cannot be one whit relieved.

This bleak prospect is partly the consequence of high defence expenditure, and partly of flabby farm policy; but it is mainly a reflection of the small rate of increase in annual production that the British people has grown to regard as normal. Except in years when there is some slack in resources to be taken up (which only happens when production has fallen below par in the year before), the "normal" rate of increase in real income which British economists now write into their forecasts is around 2 to 2½ per cent, or about £250 million a year. About half of this must always be written off against the increased consumption that flows from the increase in incomes itself; and the scrag-end that remains can nearly always be shown to be barely sufficient to pay for the increased army of schoolchildren and of old age pensioners, to expand Britain's external surplus, and all sorts of undeniably worthy things like that. In Western Germany, Dr Schäffer can draw up his budget on the assumption that the real

national income will rise by 5 per cent a year, but in Britain this is too optimistic by two and a half.

It is true that, measured over long periods of the past, an average rate of increase of real production per head of somewhere around 2 per cent a year has in fact been normal both in this country and in others for which data exist. But this long-period average has been made up of rapid increases in good years offset by actual declines in bad. In years of full employment, such as we have been enjoying, much more than 2 per cent should be possible. And, in any case, Britain has never before found itself in its present predicament, when a spurt of super-normal progress is the only way of escape from being crushed by the economic burdens closing in upon the community. If there is anything at all in the doctrine of conscious purposive direction of economic affairs (to which everybody nowadays pays tribute) then its primary task should be to find ways of speeding up the rate of progress. If there is any budgetary device that could be used to encourage such a spurt, then it should be applied—even if it means a departure from the strict principles of the last six years.

★

This is not, of course, to say that any tax relief that can be made to look like an "incentive" to somebody is good. The test should be a severe one: will it directly lead to an increase in the real national product? A reduction in income tax, for example, is an "incentive"—but to increased consumption far more than to harder work or to saving or productive investment. The only sort of tax relief that can be relied upon to stimulate investment, and investment only, is something that is applied directly to the process of spending money on productive capital assets. Thus a repeal of the 2½ per cent tax on undistributed profits, which has been suggested and which is perhaps desirable on general grounds, is not direct enough to satisfy the test. It might lead companies to save more; but the indications are that they are not now held back from capital expenditure by any lack of liquid funds, which are (perhaps temporarily) rising. Similarly, a reduction in Bank Rate would give a far more effective stimulus to spending on stocks and even (since investors feel richer when they look at the level of their share prices) on consumption than to long-term capital investment. The same objection applies even more strongly to last year's expedient of bolstering up total demand in the hope that businesses will then instal new plant in order to meet it. If it works at all, this is much too indirect and expensive.

What is needed now is a direct encouragement to the spending of money on capital, whether additional or in replacement of existing obsolescent assets. The suggestion recently made in the *Financial Times* by Mr Roy Harrod that businesses should be allowed to choose their own rates of depreciation has a great deal to commend it in principle. But it would be administra-

tively difficult, and it is hopeless to expect the Inland Revenue to accept anything so indiscriminate and expensive. The official mind will naturally turn to the initial allowances, which are now only half what they were between 1949 and 1951. But the initial allowance is not a reduction in the tax burden on industry; broadly speaking, it only shifts the payments in time. An interest-free loan from the Exchequer is, indeed, better than nothing—especially as, when an individual business's total investment is rising, it tends to be continually renewed. But what would be far more effective would be an increase in the basic depreciation percentages themselves—that is, a shortening of the assumed life of the capital assets. If he wants to do something this year to stimulate investment, that should be the first thing for the Chancellor to do; it has the advantage that it can be made selective. The stimulus would not achieve much without a change in British industry's general attitude towards investment. But it would be a step in the right direction, and the Government should not be afraid of making any such concession a large one.

★

If this stimulus is chosen, the rest of the economy is not likely to get great cheer from the budget. There are some dribbles and dregs that the Government might like to distribute. It probably wants to increase national insurance benefits to compensate for the rise in the cost of living since the inception of national insurance in 1948, this would only cost less than £10 million this year. It ought to want to implement the Tucker Committee's recent proposals for fairer tax treatment of private pension schemes, which would not cost very much initially and would remedy a serious injustice. It may want to introduce schemes for very gradual approaches towards the repayment of postwar credits and towards equal pay for men and women in the public service—with provisions for speeding the advance later if by any chance a swing towards world deflation were to create some slack later in the year. But these oddments cannot be exciting—and the Chancellor should not wince from making them more bitter by declaring that, after the Government Actuary's review at the end of this year, national insurance contributions may have to go up.

In sum, the economists are quite right in warning Mr Butler that he should not introduce a budget that will be popular with the public at large; but they are wrong if they are also telling him that he should not risk proposals that might raise real investment in the year ahead. There is a distinction between profligacy and progress, between accepting the risk of having to invest part of the gold reserve and accepting the risk of eating part of it. There is a moral as well as an analogy to be drawn from the adventures of Sylvie and Bruno in Lewis Carroll's dreamland. On his next appearance after his forecast of horizontal weather, the professor was stumbling fearfully along with an umbrella tied to the front of his boots.

Throwing Away the Trump

ON Monday the House of Commons staged a most pitiful affair. With only a couple of honourable exceptions, the speakers in the debate on trade with the Communist bloc showed themselves only too ready to heap up popular illusions, banalities and gross factual errors. Most of them took as their basic assumption the still quite unwarranted idea that Soviet long-term policy (as opposed to tactics) has changed so dramatically as to change the whole world situation with it. The air was full of technicolor visions of limitless markets in the east. Even the hoary fallacy that attributes all responsibility for the low level of east-west trade to the western strategic controls was revived, in flat defiance of the statistical evidence of shortages of grain, timber and other East European exports.

But there was much more wrong with the debate than these individual errors, however depressing their cumulative effect. Two things were lacking, of such importance that their absence made the debate sound like a symphony played without either strings or brass. First, almost all the speakers talked in terms of trade with Russia and its European satellites. China was mentioned by a few; but not one appeared to realise the futility of discussing the trade of the Russo-Chinese bloc piecemeal, although the outstanding characteristic of the bloc is now its close, "monolithic" integration. The stationing of Peking's trade commissioners in East Berlin symbolises the fact that from there to the East China Sea stretches a closed economic society, trade with any part of which is, quite simply, trade with the bloc itself.

The second point, however, is even more vital. The debate in the Commons showed a total inability to grasp the magnitude of the issue at stake. East-west trade cannot be discussed merely as a matter of commercial policy, or in terms of adjustment to a more comfortable international atmosphere. It is central to the whole problem of ensuring the security of the free world.

There are no such illusions about its unimportance among the shapers of policy on the far side of the iron curtain; the intensiveness of Soviet propaganda on the subject is enough evidence of this. But that evidence is hardly needed. The Communist bloc is now planning for a period of a good many years during which China is to be both industrialised and equipped with an arms industry and modernised armed forces, while Russia improves its internal supplies of consumer goods and food. The bloc's need for supplies of a wide variety of goods and equipment from the outside world is therefore much greater than before.

China is the weakness. Economic integration, in Communist minds, by no means implies "to each according to his needs"; and although China is said to be receiving many million roubles' worth of Soviet aid, its experience in recent years has shown that such aid

must be bought dearly, and that for the most part it must balance its own books. China's earning capacity in the outside world is now small. It has orientated over three-quarters of its trade towards the Soviet bloc; its own growing industry has first call on the coal and raw materials formerly exported to Japan; and its recent periods of isolation from the world have led many old customers to find alternative sources of the minerals and agricultural products that it used to sell. Last year China's export earnings in the free world added up to only about £110 million. Its only other considerable source of foreign income is remittances from Chinese overseas; this might be reckoned at £40-50 million a year, although it is probably diminishing. Taking into account a deficit on invisibles such as shipping, China can find at the most £150 million a year to spend in the free world, unless it drastically reduces its shipments to Russia and the European satellites.

And it is at this moment, when the Communist bloc finds itself in such real need of supplies from outside, that it is argued that the West should not merely demolish its control of strategic exports, but even provide large credits to enable the bloc to carry out its plans. The prevalence of such ironically muddled thinking indicates that it is high time to restate the basic principles involved throughout the whole question of east-west trade.

★

The first of these is the indisputable fact that for trading nations such as Britain the extension of international commerce is always a welcome development—other things being equal. But the other things must be truly equal.

Second, trade with totalitarian countries can never be separated from politics, if only because to a totalitarian regime trade is a major political weapon. The Russians, for example, have no need to impose special embargoes or controls, because their entire trade is tightly controlled; they have no use for a Battle Act, because anything their satellites export to the west requires their specific approval.

Third, trade in items of no strategic importance is obviously desirable and, provided it is two-sided, should be vigorously pressed. Friction at the borderline between strategic and non-strategic categories is equally obviously harmful to the solidarity of the free nations; and any work of revision that reduces such friction is to be welcomed.

Fourth, it is one thing to act vigorously wherever trade is possible; it is quite another to be deluded into overestimating the potential scale of the trade. In particular, there is no rhyme or reason in diverting a dis-

proportionate part of the British export drive to such a marginal and unreliable market as the Communist bloc while failing to make the most of opportunities in far more promising fields.

Fifth, the western controls—far less sweeping than their Soviet counterparts—on military or strategic exports to the Communist states will remain necessary until there is clear evidence that these states have abandoned their attempts to disrupt and dominate other nations, particularly by fomenting and backing “liberation movements” in Asia. There is still no such evidence.

The last point is now the crucial one. In a few weeks’ time, at Geneva, western statesmen will face the task of getting the Communist powers to see reason as regards a settlement in the Far East. If they accept the argument (used this week both in the House of Commons and in the Moscow paper, *Kommunist*) that trade must be kept separate from politics and that it is immoral to use economic bargaining counters, what inducement to good behaviour can they offer to the Chinese and Russians? What, indeed, remains except the threat of military force? It seems fair to ask whether those who now urge the West to discard its one peaceful trump—trade—before the Geneva game even begins, have pondered the fact that they are in effect insisting that western diplomacy must rely on naked force alone.

It should be clearly realised that any substantial easing of controls or commitment to credits effected

before the Geneva conference reaches agreement will amount to presenting China with a trump, even if it is ostensibly directed to Russia. For the Communist bloc, as already shown, is one economic system. Nothing, in fact, would please the Russians more than a chance to pass on to China the benefits of credits received from the West; for this would enable them to pose as the donors. They have already bent all their efforts, with much success, to the canalising of China’s foreign trade through their own network. If, however, the Chinese are already restive at the limitations to Moscow’s ability to supply their needs—and there are signs that they are—is the West going to solve the Russians’ problem and help them tighten their grip on China?

An exactly opposite policy would seem indicated. The free nations—who, for once, ought to be entirely agreed on this—should insist on dealing directly with the Chinese, either in China or in Western Europe, but not in East Berlin or any other Russian garrison town. If credits are to be given, they should be given directly to China, not passed through Big Brother’s itching hands. China cannot be promised the moon; there are, in Southern Asia, for example, other nations with a far stronger claim on western generosity, which itself cannot be limitless; but the time for plain speaking has surely come, and it should be made perfectly clear to Peking that its prospects of external aid depend solely on its good behaviour, not on the ingenious manipulation of the Russo-Chinese economic system.

Farming Policy in Transition

SUPERFICIALLY at least, the most surprising fact about the farm price settlement is that agreement should have been reached so quickly between the Government and the National Farmers’ Union. The concordat between Whitehall and Bedford Square was this year put to the severe test of coping with the consequences of decontrol, of falling world prices, and of the emergence of surpluses of some foods. The Treasury was determined that the large bill for the support of British agriculture should be reduced. The farmers were resolved to keep the gains won during the period of shortages.

The price agreement is inevitably a compromise, the actual consequences of which—either for Treasury or farmers—are by no means clear. The farmers have made some prudent concessions to the logic of events. They have accepted arrangements which, for the first time in fifteen years, presage some slight reduction in the level of farm prices and (eventually and contingently) in the extent of the taxpayers’ liabilities. But the Government too, while standing firm in principle, has made substantial concessions in practice.

The principles on which Government guarantees to

agriculture should in future be based are admirably set forth in the White Paper (Cmd. 9104). First, physical expansion as such is no longer to be the main goal of policy. Aided by favourable weather, the net output of British agriculture climbed last year to its highest point ever—56 per cent above the prewar level. Further expansion is regarded as still desirable in principle. But the primary objective must now be “to secure a more rapid improvement in economic efficiency by raising quality, catering for consumer choice, and reducing unit costs of production.” It is admitted that these economic factors have been neglected in the rush to expand production. In future, agriculture will be expected to comply with the economic tests to which other industries are subject.

Secondly, Government guarantees will in future be related to market conditions as well as to the schedule of farming costs and profits. It is a pity that this need was not recognised earlier. The cost-plus method of fixing individual prices has caused British agriculture to become dangerously unbalanced—for instance, the country is now swimming in surplus milk—and the adjustment is bound to be painful for some producers.

It follows that the Government will no longer set production targets for individual commodities. The level of output must be settled in each case by market demand on the one hand and by productive efficiency on the other, and neither factor can be determined by public action.

Thirdly, the cost of subsidising British agriculture is to be progressively reduced. This cost is estimated at roughly £200 million for the financial year now ending, after subtracting the element of consumers’ welfare embodied in the subsidies paid on bread and milk. In other words, this is the amount by which the Government thinks that farmers (as opposed to consumers) would be worse off if there were no guarantee. It is the Government’s hope that “the progressive improvement in efficiency will provide a basis for steady reductions in the cost to the Exchequer.” Should this optimism prove misplaced, the farmers are left to draw their own conclusions. It is clear that this year’s changes are meant to be only the first small bite at the cherry of agricultural subsidies.

These principles are unimpeachable. Their translation into practice, under the confused conditions of the twilight of rationing and control, is less easy and also less satisfactory. In a free market, the Government cannot know what prices consumers will pay; its guarantees must therefore be worked out on a new basis, and separate arrangements have been made for each commodity. The result is a complex mosaic of guarantees, the main features of which are set out below.

The most satisfactory form of guarantee to the Exchequer—and the least demoralising to agriculture—is that of the genuinely minimum price. Under this device, farmers depend for their prosperity upon their

own efforts and skill, but are protected against a serious depression of the market. This principle has been applied only to potatoes and, less clearly, to eggs. For other products the farmers insist that competition from imports will consistently force down market prices below the point of a fair return to the home producer. The argument is not proven, but the Government has agreed to go on underwriting prices which will probably be considerably higher than the market level—in other words to guarantee maximum rather than minimum prices.

★

There has, however, been an attempt to reduce the costliest guarantees, which are those for milk, cereals, and pigs. In each of these cases supply is now tending to outstrip demand. For milk there is a very modest price cut of 1d. a gallon, coupled with the limitation that the guarantee will apply only to the present level of output; this means that any further increase in milk production will entail a proportionate reduction in the guaranteed price. Producers of wheat, barley and oats are treated very leniently; there is to be no quantitative limit to the price guarantee and only a slight reduction in prices which will not operate until 1955-56. Pig prices have been cut the most (by about 5 per cent), but the dual guarantee to pig producers (explained below) will remain a very expensive liability; even the guaranteed individual price for pigs, which is supposed to meet extreme contingencies, is expected to be consistently above the market level.

These price adjustments are anything but draconian. They have been represented as saving the Exchequer,

Guide to Farm Prices

Under the Agriculture Act, 1947, which had the support of all parties, the Government pledged itself to maintain permanently some type of financial guarantee to British agriculture, to protect producers from large price fluctuations and to ensure them an adequate minimum income. The guarantee applies to all the principal farm products except fruit and vegetables, i.e. to about four-fifths of net farm output. The precise guarantees are settled at an annual review after consultation with the National Farmers’ Union. Guarantees for livestock products relate to the current year (with minimum prices coming year (with minimum prices fixed for 3-4 years in advance) and for crops to the following year’s harvest (e.g. on this occasion to 1955-56).

Until decontrol, the Government laid down fixed prices at the annual review at which it would purchase the farmers’ entire output. Following decontrol,

however, farmers will sell their output in the open market at current prices. For the time being, the Government guarantee will be given in 4 different ways:—

(a) *Minimum or support prices.* This method applies to eggs and potatoes, and is designed to protect the farmer from low prices resulting from periodic gluts. The Government pays the difference on any sales taking place below the minimum price.

(b) *Deficiency payments schemes.* This method applies to cereals (wheat, rye, barley and oats) and to fat stock (fat cattle, fat sheep, fat lambs and pigs). The Government establishes a standard price and pays each producer the difference (if any) between this price and the average realised market price multiplied by the volume of his sales. The guarantee is collective; it safeguards the incomes of producers as a whole

and the individual producer may get more or less than the standard price, depending on his skill and luck. Otherwise standard prices are similar in principle to minimum prices, except that they have been fixed high enough to give a more extensive type of protection.

(c) *Guaranteed individual prices.* This represents a second and subsidiary guarantee applicable to fat stock (except fat cows). It guarantees a minimum price for each individual transaction which is additional to the collective guarantee. Its purpose is to protect farmers from an alleged danger of exploitation by butchers’ rings at small country auctions.

(d) *Fixed guaranteed prices.* This form of guarantee—which was the general form before the return to free markets—will continue to apply to milk and sugar-beet.

It is true that some of the concessions made this year have been designed to ease the transition of agriculture to a changed environment. Others reflect the legacy of the Government's past mistakes. For instance, having exhorted cereal producers to grow more only two years back, it is difficult to apply an economic brake

This is a familiar story. It may recur each year until the myth that the Farmers' Union can swing a general election is finally exploded. But at least the right precedents have been set this year for use by the first Government with the necessary courage. The proper type of permanent guarantee to British agriculture is becoming clear. It should involve direct subsidies for helping the smaller and poorer farmers and for raising the standard of farming techniques; and with these should be coupled the guarantee of a genuinely minimum price for a wide range of commodities. This would be support enough. It might still cost the taxpayer up to £100 million a year. It would guarantee the farmers a minimum income—not, as this year's settlement continues to do, substantial profits—and leave the rest to them. No farmer can reasonably ask for more.

Instead, the agreement covers American military and

Naturally no one supposes that these measures are going to turn Japan into a first-class fighting power overnight. Whatever happens, it will be at least two years before the country can even possess an adequate force to hope to defend itself on land against, say, an attempted Communist invasion from Korea. And this presupposes American air and naval support, with the Japanese primarily responsible only for their own

What is feared, however, is the eventual outcome of the decision. This, it is felt, is the thin end of a peculiarly unpleasant and dangerous wedge. For anyone who had personal experience of the Japanese lunge through Asia twelve years ago, either as a combatant, a civilian or subsequently a prisoner of war, it seems even more wrong to rearm the Japanese than the Germans. For anyone, like the Australians, who escaped disaster by a very narrow margin in 1942, logic and reason are added to emotion and distrust as motives for opposing Japanese rearmament of any kind (Australian attitudes are discussed on page 958). The American guarantee of Australia and New Zealand has gone a long way towards mitigating these fears; indeed, without it, Washington's general defence policy in the western Pacific would have to be agonisingly reappraised. But, as the debate on the EDC in Europe shows, treaties alone cannot by any means exorcise the kind of fear that the French have for the Germans, or that some of Japan's neighbours have for Japan as a result of grim experience.

Against the somewhat academic background presented by these arguments, the broad reasons for

In the long run, Japan's own role in the Pacific will be to counterbalance the power of Communist China. And the importance of this role will grow as China becomes stronger militarily. The only alternative is for the Japanese to be gobbled up by the Communist bloc, which would be an unthinkable disaster. Although at present most Japanese are as inhibited about their own rearmament as are many of the critics of America's latest move to give them military help, a new phase is opening in their relations with the West. They are no longer to be a conquered people, but partners in the fight against Communist expansionism. If so, the first step must be to enable them to defend themselves. .

The House of Commons seems to employ the Wednesday pretty much as schoolboys employ half-holidays, to perform mischievous tricks. . . . On Wednesday some of its members indulged in investives against the "rapacity of those" who . . . obtain the fair market price for the rent of stocking-weaving machines. . . . We . . . say unhesitatingly that if the Legislature is to be called on to interfere and adjust the rent of frames, the reasons are much stronger why it should interfere to adjust the *rent of land*. In the present state of the minds of the bulk of the working classes, we cannot imagine anything more mischievous than for the House of Commons to assume the authority of regulating or abating the rent either of frames or of land. That was, however, its half-holiday\ amusement on Wednesday; and we are not surprised . . . that Mr Fitzroy . . . on the part of the Noble Lord the Secretary for the Home Department, consented to the second reading of a bill for lowering the rent of frames. It is quite natural, consistent, and therefore proper, in those who make laws to fix the rent of cabs, also to make laws to fix the rent of frames and the rent of estates. We objected to the first, because we can find no limit to the interference of the Legislature if once it be allowed to fix the remuneration of any kind of services which one man renders to another. If it fix the rate of cab hire, it must, in justice, fix the extent of cab employment. If it fix the rate of hire for frames, it ought also to ensure the owners continual payment. If it fix the wages or reward of any kind of labour, it ought also to fix the price of bread, though that imply a control over the seasons. If it interfere to limit the profit of the humble capitalist, why should it not interfere to limit the rent of the lordly landowner?

March 25, 1854

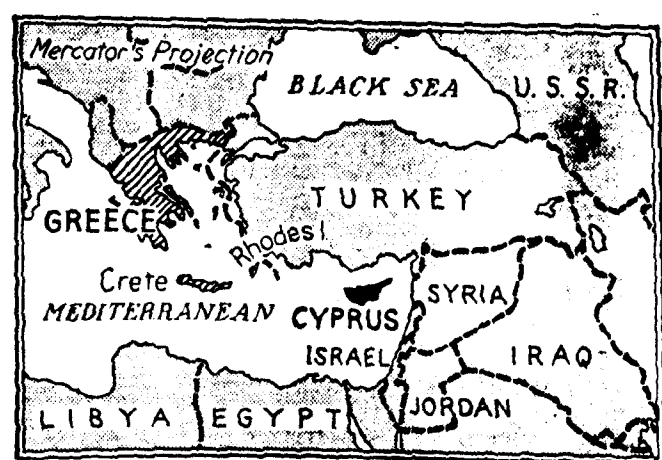
Notes of the Week

Nato and Enosis

FRIENDSHIP between Greece and Britain is one of modern Europe's traditions, and friendship between both these states and Turkey is also close. Are relations between these three Nato allies now to be queered by angry Cypriots? All three are exposed to this danger unless one or more of them takes steps to check it.

The claim of the Cypriot Greeks to *enosis*, or union with Greece, is well known. They are Greek by church, race and language, but constitute only eighty per cent of the island's population. The remainder are Turks who, as so many minorities do, prefer the sovereignty of a third party to that of the local majority. The *enosis* campaign has been sharpened during the last five weeks, when Archbishop Makarios of Cyprus has been on a visit to Greece. Anti-British demonstrations have taken place in Athens and Salonika, and, upon the Archbishop's arrival in Rhodes, damage was done to the British consulate there.

On leaving Athens, he broadcast to his supporters an assurance that the Greek government would bring the Cypriot claim to union before the United Nations. Simultaneously, the Greek Prime Minister issued a moderate statement on the Cyprus question; it was the policy of his government, he said, to "render the best possible service to the strengthening of security in the south-eastern basin of the Mediterranean, the preservation of the unity of the



democratic front, and the protection of traditional Greek-British ties." His tone contrasted sharply with that in which Mr Eden, upholding the British contention that the Cypriots can have, if and when they choose to, self-government within the British Commonwealth by the road offered to them in 1948, curtly informed a questioner in the House on March 15th that "Her Majesty's Government cannot agree to discuss the status of Cyprus" with the Greek Government.

Cyprus is important to Britain only on strategic grounds. In the same week as Mr Eden's statement, British military chiefs from London and from the Canal Zone met here on the site of a potential headquarters for Nato forces in the area. All modern experience suggests that the danger of turning a deaf ear to talks such as Greece would entertain is to convert friends into enemies and bases into beleaguered citadels. If, by sitting tight, Mr Eden allows the Cypriot complaint to go to the United Nations, he puts all question of friendly talks with Greece out of court. The Greeks, for their part, will gain nothing for the Cypriots by a *démarche* at Uno, because, in law, the British position is impeccable. It would be wisest not to let matters reach this pitch. The four Nato members with interests in the Eastern Mediterranean—Britain, Greece, Turkey and the United States—would do better to concert their attitude to sovereignty in Cyprus round a table than to argue it out before the Assembly.

Drama and Deadlock in Egypt

THE confused drama that took place in Cairo on Thursday must await comment; the record of political manoeuvre, retraction and reshuffle in Egypt in recent weeks is enough to discourage any early judgment on events of which, at the time of writing, only the barest reports are available. But whether or not the junta of army officers is able or willing, in the event, to maintain its decision to restore full freedom for political parties and to wash its own hands of power in July, it cannot, without danger, defer action on an equally pressing matter—the deterioration of law and order in the Canal Zone area.

Within the last fortnight, four members of the British forces have lost their lives and others have disappeared or been wounded. The attacks have not all been one way; an Egyptian police officer was also killed in circumstances which led to the arrest of two British soldiers. There is evidence that the Egyptian authorities can stop these activities when they want to do so. There is also much evidence that public opinion in Britain has had enough of a situation in which Egyptians in authority simultaneously practise exploratory talks and encouragement to Egyptian gunmen. Mr Eden was therefore under great pressure to stop the former until the Egyptian government gives him cause for confidence by stopping the latter; and he announced that he was doing so in the House of Commons on Monday last. Nothing was being gained by letting matters ride, and his policy is a good one, provided that it includes an intention to resume talks if the attacks stop.

For who gains by a stalemate? Not Britain, which must thereby go on paying an exorbitant money cost for security

in the Eastern Mediterranean; and certainly not Egypt, which, if it holds elections this summer, must either reach a settlement before then or else reduce them to an ugly competition in vilification of Britain. Elections held in such conditions would destroy all prospect of votes for parties with a constructive policy in the field of development and welfare. They would finally wreck the high hopes which caused the country to acclaim the young military reformers eighteen months ago.

Leaks from the Caucus

MR MORRISON's complaints about "leaks" to the Press from Labour party meetings have served only to remind the public of the dangerous extension of caucus rule on both sides of the House of Commons. Having seen the whole Press arrayed against him, from *The Times* to the *New Statesman*, Mr Morrison has had a lesson in democracy that he—of all people—should not have courted. The Press has a duty to throw the clearest light it can on the regrettable process of secret disagreements, secretly arrived at, through which his and his opponents' party juntas now fumble towards the policies that they present to the public as the only true course of reason and light. It is true that the Labour members who are most ready to tell stories out of school are often left-wingers with a personal grudge against the party leaders; but if newspapers fail to correct for this bias—and most of them try to—the moral those leaders should draw is that differences of opinion on matters of public concern should be discussed more openly.

In reports of wildcat schemes to aim at injunctions against certain newspapers Mr Morrison's name may have been taken in vain, but it is horrifying that the thought should have occurred to anyone. The whole incident ended in an embarrassing anti-climax for Labour, with the National Executive solemnly putting out a statement reaffirming that its meetings are "private and confidential." This was news to nobody. On the contrary, it is the main criticism of both party machines that at "private and confidential" meetings important issues of public policy are not only being discussed but decided.

The Conservatives show disquieting signs of picking up Labour's bad habits. At recent meetings of the 1922 Committee there have been inquests into "leaks"; members have shaken their heads reprovingly and then gone out to leak about the inquests themselves. Mr Butler is even reported to have warned the Tory back-benchers that their indiscretions might lead ministers to abandon the habit of confiding in the back bench committees. There are obvious tactical problems that the parties can legitimately try to consider secretly (if they can get away with it), and ministers (like journalists) should sound out the views of back-benchers as frequently as they can; Tory ministers do this all too rarely. But there can be little justification for the use made of a private committee meeting this week by the Minister of Education. Having already conferred with the teachers, she told Conservative MPs of an important proposal for changing the Teachers' Superannuation Bill; apparently new entrants are not to contribute as much as was originally intended towards covering the accumulated actuarial deficiency in the fund.

Inevitably the news "leaked," but if there is to be an "inquest" it should be into why such an important development was not first announced to the House of Commons.

Wages Reconnaissance

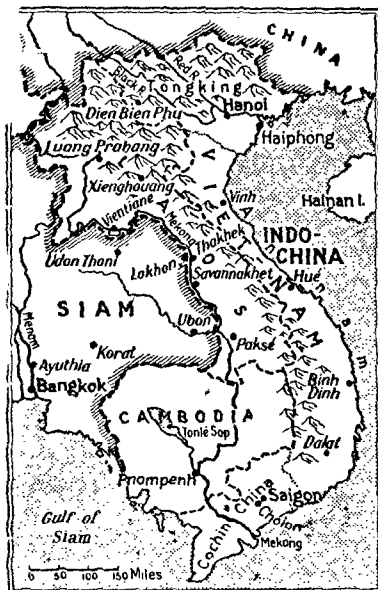
THE clouds of wage disputes are a little less threatening this week. The general attitude among most of the unions affected seems to be that they ought to be able to get a little cream on top of the seven shilling standard for this year's wage increases; but that if they must resort to strike action to secure it they will have been manoeuvred into a mistake. As *The Economist* goes to press there are signs that the film technicians may decide to withdraw the ban on overtime with which they have backed up their astronomical claim for an extra 30s. a week, three weeks' paid holiday and other benefits. Two events have made them more ready to listen to the request of the Minister of Labour: first, the curt action of the employers in dismissing 2,000 laboratory workers—to which the union replied by calling out 4,000 more; and, secondly, the threat of unemployment for between 4,000 and 5,000 other workers in the film industry, who have been given notice that production cannot be continued if there is a breakdown at the processing end. The cruel fact is that the film industry is not a prosperous one, and an interruption to production would not hit the employers really hard.

The shipbuilding and engineering workers are also somewhat quieter for the moment. The executive councils of the 38 unions affiliated to the confederation have endorsed their leaders' decision last week to reject the proffered increase of 5 per cent. But instead of immediately renewing their threat to ban overtime and restrict piece-work, they have instructed their leaders to ask the employers whether or not their offer is final. The general unions—always the most conservative element in the confederation—proposed that there should be further talks, if necessary with the help of the Minister of Labour, and that the confederation's executive should be empowered to conclude a peaceful settlement. This resolution was rejected, but many members were clearly unhappy at the prospect of talking themselves into taking drastic action in order to improve on an offer that they consider to be not too bad. The trouble is that if the employers refuse to discuss a better offer, the confederation will probably be compelled by face-saving considerations to operate the ban that it has threatened for so long.

Until this dispute is settled, the TUC's economic committee will not consider the proposal that its general council has recently been discussing with the Minister of Labour—the appointment of an impartial body to consider the impact of wage increases on the national economy. It is worth noting that this vague idea, first suggested by the court of inquiry into the engineering dispute, is now referred to by the TUC general council as "an inquiry." This suggests that it is being interpreted, after the discussions with the Minister, as something like a Royal Commission which would make a once-for-all report, rather than as a standing advisory body. It is still difficult to believe that this could do much good; but—unlike a continuing body—it could not do much harm.

After Dien Bien Phu ?

THE outcome of the battle for Dien Bien Phu is more likely to affect the nature of any truce in Indo-China than to determine whether there is to be a truce or not. The peculiarly bitter and vicious siege of this French strong-point looks like proving at once the biggest and the most decisive single engagement in the seven-year war. Although the French deliberately entrenched themselves in great strength in Dien Bien Phu at the end of last year, it was something of a surprise that the Viet Minh commander equally deliberately decided to attack in force, thus embarking on the kind of set piece battle which he normally avoids.



It is difficult not to associate this Communist initiative with the forthcoming Geneva conference. If the intention was to cast a decisive influence over the proposed discussions on Indo-China by involving the French in a heavy defeat and a disastrous loss of prestige, another wave of attacks on Dien Bien Phu must be expected. It is no small thing, on the other hand, for the French to have shown a world which nowadays so often doubts them that they can

still recapture the spirit of Verdun.

Both sides in Indo-China may now be assumed to want a truce, if they can get one on satisfactory terms. The Communists want, above all, to put an end to American intervention on China's southern doorstep; they also hope to gain by political means what they have so far failed to obtain by the sword. In France the movement in favour of a negotiated peace is mounting steadily. The least enthusiasm is shown in London and Washington, where the inherent difficulties are strongly recognised. The chief of these is that, owing to the guerrilla nature of so much of the fighting and the lack of adequately defined front lines, at least the outline of a political agreement must be drawn up at the same time as the terms of a military cease-fire. There can be no intervening period as in Korea. If there is, the Communists will end by getting all Indo-China. That is too high a price to pay for stopping the war.

The Bill for France's Arms

LAST week the French National Assembly voted the military credits for the fiscal year 1954. For the first time the Socialists as well as the Communists voted against the defence budget. As a whole this is a transition budget

in more senses than one. Though the Minister of Defence, M. Pleven, took pains to emphasise that these are not accounts in preparation for EDC, military integration in Europe would obviously have a great effect on French budgeting. Moreover, this is still a "pre-atomic" budget; France is not expected to enter the nuclear field before next year. And uncertainty as to what land equipment is most suitable to new conditions may partly account for a cut in the expenditure on the land forces. Out of a total estimated expenditure on the home forces of Fr. 829 billion, the share of the army has fallen to Fr. 280 billion, while that of the air force has risen to over Fr. 270 billion. It claimed that France will have 38 Nato squadrons (or 80 planes) at the end of this year, and 51 squadrons (or 1,000 planes) at the close of 1955.

It is difficult to get a clear picture of the real French burden from the complicated accounts of expenditure. The military credits voted for 1954 amount to Fr. 1,110 billion. Out of this only Fr. 925 billion will be financed by French taxpayers. On the other hand, if American aid to the associated states of Indo-China is included as well as the American shipments of equipment, the defence expenditure of the French Union amounts to Fr. 1,445 billion.

The striking thing about these figures is that this year the United States is to shoulder almost four-fifths of the financial burden in Indo-China, the French contribution being in fact limited to Fr. 136 billion out of a total of Fr. 626 billion. In other words, the end of this distant war would bring only a small direct financial relief to the French exchequer. On the other hand, the French price in blood and men cannot be forgotten; it was argued during the debate that the French officers and NCOs from Indo-China could provide the nucleus for ten European divisions. Furthermore, all those French critics who would like to end the war in Indo-China, but at the same time are in favour of EDC, implicitly assume that the end of that war would not involve a drastic cut in American aid.

Key to the Saar

WHENEVER Dr Adenauer leaves his coalition without his dominating influence, it becomes all too clear that patriotic politicians will be hard to control when he is forced by age to retire. The inclination to make high-sounding declarations instead of leaving steady negotiations to be pursued quietly has reappeared while the Chancellor has been visiting Greece and Turkey. It is evident from statements made by the leader of the Free Democratic Party and others that they suspect Dr Adenauer of preparing to renounce Germany's claim to the Saar. The opposition leader, Herr Ollenhauer, has not been alone in recalling that the Bundestag as a whole recorded in a resolution that the Saar is and remains German.

The critics are speaking without knowing exactly what Dr Adenauer said to M. Bidault when he last met him, or what is in the French memorandum that the French foreign minister presented on that occasion. All that has been announced is that the two agreed to take as the basis of negotiations the plan formulated by a Dutch Socialist delegate to the Council of Europe, Mr van der Goes van Naters,

and subsequently adopted at Strasbourg. It is an interim plan for partial "Europeanisation" of the Saar, which tries to overcome the unfortunate fact that no political European government exists, or is likely to exist, in the foreseeable future.

Behind all the complexities of proposals for the Saar is a vital issue that is seldom mentioned. The key to intransigence on both sides over the Saar is in fact the Oder-Neisse line. For the Germans think that terms they accept regarding their western frontier will be taken as a precedent when it comes to settling their infinitely more important claims in the east. Hence they will not agree to a permanent abandonment of the Saar. On the other hand, the French from the outset have declared that, once Germany was deprived *de facto* of the Oder-Neisse territory at Potsdam, it became a dissatisfied nation, which must be kept weak, while French power must be strengthened. At one time, the French wanted to detach the Ruhr from Germany as well as the Saar. By the foresight of M. Schuman and M. Monnet this hopeless plan has been transformed into the coal-steel community. Now the only hope for Europe rests on the possibility that a compromise may be reached over the Saar which leaves the final solution for the day when a supranational political government really exists, some peaceful settlement of German claims to the lost lands of the East is achieved.

EDC and the Antis

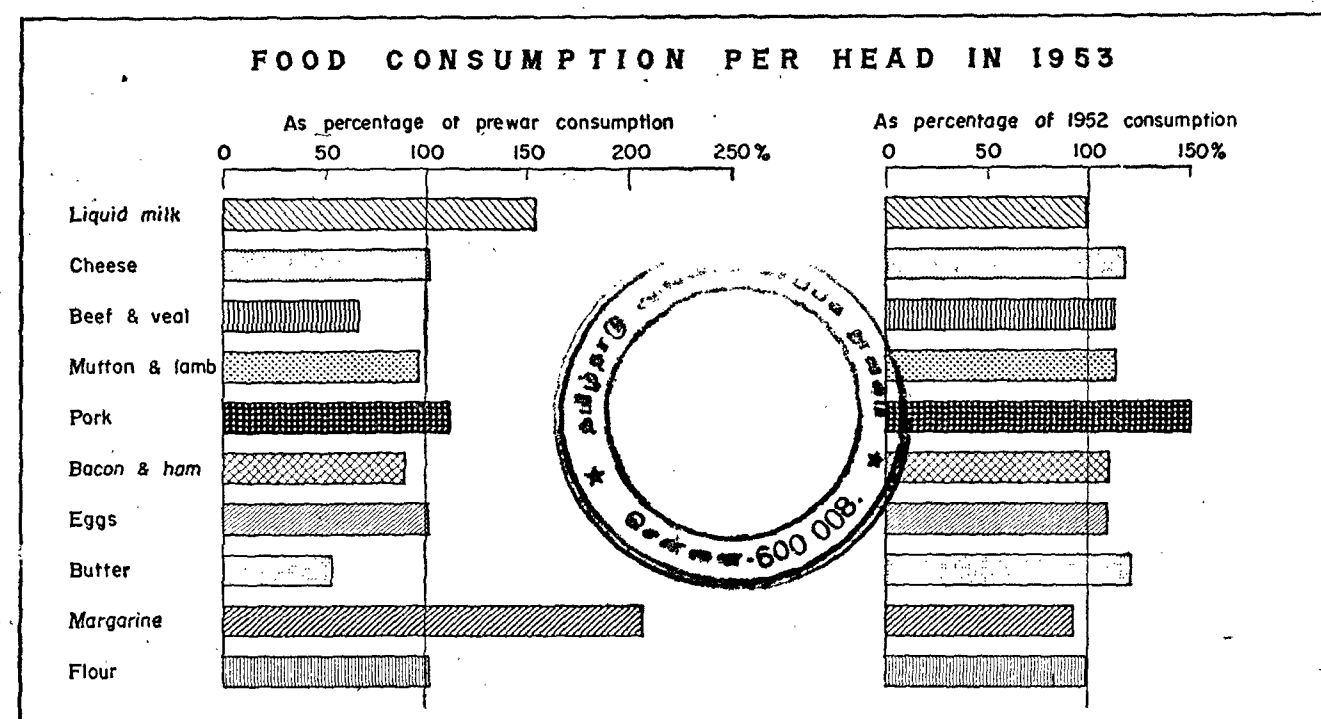
IT has been a bad week for the prospects of both Europe's projected communities. Dr Adenauer, M. Bidault and the other foreign ministers of the Six will not now be meeting in Brussels on Tuesday for their already much delayed talks on the political community. No new date

for this meeting has been announced, and it would seem that the wheel has come full circle: whereas a year ago it was argued that progress with the defence community (EDC) must wait on the political one, it is now the other way round. As to the defence community itself, there is little encouragement to be got from the proceedings of the French Assembly's foreign affairs committee, or the deadlock in the negotiations on the Saar. It can only be hoped that the optimism Lord Salisbury showed on Wednesday as to full agreement on Britain's association with the defence community will be justified as quickly as he implied.

Meanwhile a vigorous thrusting of spokes into the wheel continues. But the "international conference of countries concerned in the EDC," which met in Paris last week under the tenuous presidency of M. Herriot, might have been more aptly and less ponderously described as a caucus of "antis." This curious congeries of Gaullists, Daladier Radicals, British Bevanites, and Communists, with its doors open even to fraternal delegates from the Pieck regime in Eastern Germany, should have succeeded in making one thing perfectly clear: that no constructive alternative to EDC commands a coherent majority in France or anywhere else in Western Europe. One glance at the strangely assorted faces that it brought together sufficed to show that the minds behind them were agreed on one thing only—a sometimes malicious and sometimes sterile opposition.

Interdependent Commonwealth

SOME interesting ideas for a new approach to colonial affairs, which have been simmering for some time in the minds of a group of back-bench MPs, are likely to come to the boil next week. Mr Alport has put down a



motion in the House of Commons which recommends that the work of the Colonial Office and the Commonwealth Relations Office should be redefined, in a way that would reflect more accurately the changing needs of the Commonwealth. Two tentative suggestions have been made. One is that the Colonial Office, as such, should be abandoned as an anachronism and merged with the Commonwealth Relations Office; the other is that the Commonwealth Relations Office should be merged with the Foreign Office and its name transferred to the Colonial Office. The idea in either case would be to replace the concept of subordination by that of interdependence; that colonies which feel that they are in the lowest class—a long way from untrammelled independence—should be made to look as nearly as possible like those in the top one.

This is at once the strength and the weakness of these proposals. Countries like the Gold Coast, whose road to independence is clear ahead, are not now unduly worried about the trappings of the transitional period. Colonies outside this category fall into two groups. First, there are those which will eventually move along the Gold Coast's trail, but have not yet accumulated the local expertise and economic stability necessary for self-government. In these colonies official communications must still be funnelled for some time to come through the Governor rather than a High Commissioner; the distinction between directive and diplomacy will have to stay, whatever the London office is called. Secondly, there are those whose strategic importance and small size make it necessary for the British Government to retain its prerogatives in matters of foreign policy, defence and security; there is a strong case for saying that the logical line of advance here is towards the Channel Islands or even the Northern Ireland type of constitution, rather than towards dominion status—and thus for a gradual shift of responsibility in London from the Colonial Office to the Home Office.

The most obvious case in point is Malta, which has already asked to be moved from the Colonial Office to the Commonwealth Relations Office. But it has done so mainly for the snob reason that it wants to be separated from the main body of colonies. A general post would not satisfy it at all. That there should be people in Parliament thinking about these problems is very much to the good; but their zeal for reform should not lead them to suppose that all that is needed is to change the name of the rose.

Propaganda on the Screen

THE Labour party's carefully prepared film for its political programme on television last week provided seventeen minutes of acute embarrassment and rather under three of very effective emotionalism. It should serve as an object lesson of how this unnerving—but, for the future, important—mode of injecting propaganda into three million homes can and cannot efficiently be used.

The film, called "A Student's Journey," showed a hesitant young man asking six rank and file Labour supporters why he should join the party. The whole form of this script was a mistake, because it gave the impression that only the callow come into Labour's fold and because the television camera is always apt to show unpractised

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performers in an unfairly unfavourable light. Thus, the earnest and bespectacled scientist, who talked about sociology and correlations, was undoubtedly dismissed in most of the three million homes as a "soppy thing." The farmer was too obviously speaking from a prepared script; even the background noises in this part of the film sounded less genuine than they were—one had the impression that Mr Morgan Phillips was sitting behind the screen, saying "Moo." The hospital sister, who wasted time explaining that she was very busy and therefore could not spare much time to talk, was another tactical mistake; everybody is scared of being bullied by brisk and busy hospital sisters, and one of the party's troubles is that marginal voters are also unworshipfully afraid of being bullied by Labour's gentlewomen and gentlemen in Whitehall.

The housewife, who leaned over her ironing board and said that Labour had kept up rationing and controls, and the bus driver, who appeared to belong to the party because his father had belonged to it before him and because he believed in high Tory protectionism, also cannot have won many votes. The whole burden of the film was therefore thrown back on the miner, and on his inevitable homily about the bad old days. Speaking through coal dust which hid an unpractised actor's face, he was an unmitigated success. On reflection, his harrowing experiences of the 1930s may not seem to have much relevance to current controversies. But political programmes on television are not primarily aimed at those who reflect; across the country last Friday night television sets were turned off with the judgment "I can see why that fellow belongs to the Labour party, but those others . . ." It will be interesting to see how the Conservative party, which cannot so easily pluck at people's heart-strings and which has found in the past that even its own brand of suavity looks slightly jagged on a medium where announcers have elevated suavity to a fine art, responds to this challenge in its own carefully prepared programme, which is to be televised from Mr Eden's drawing-room.

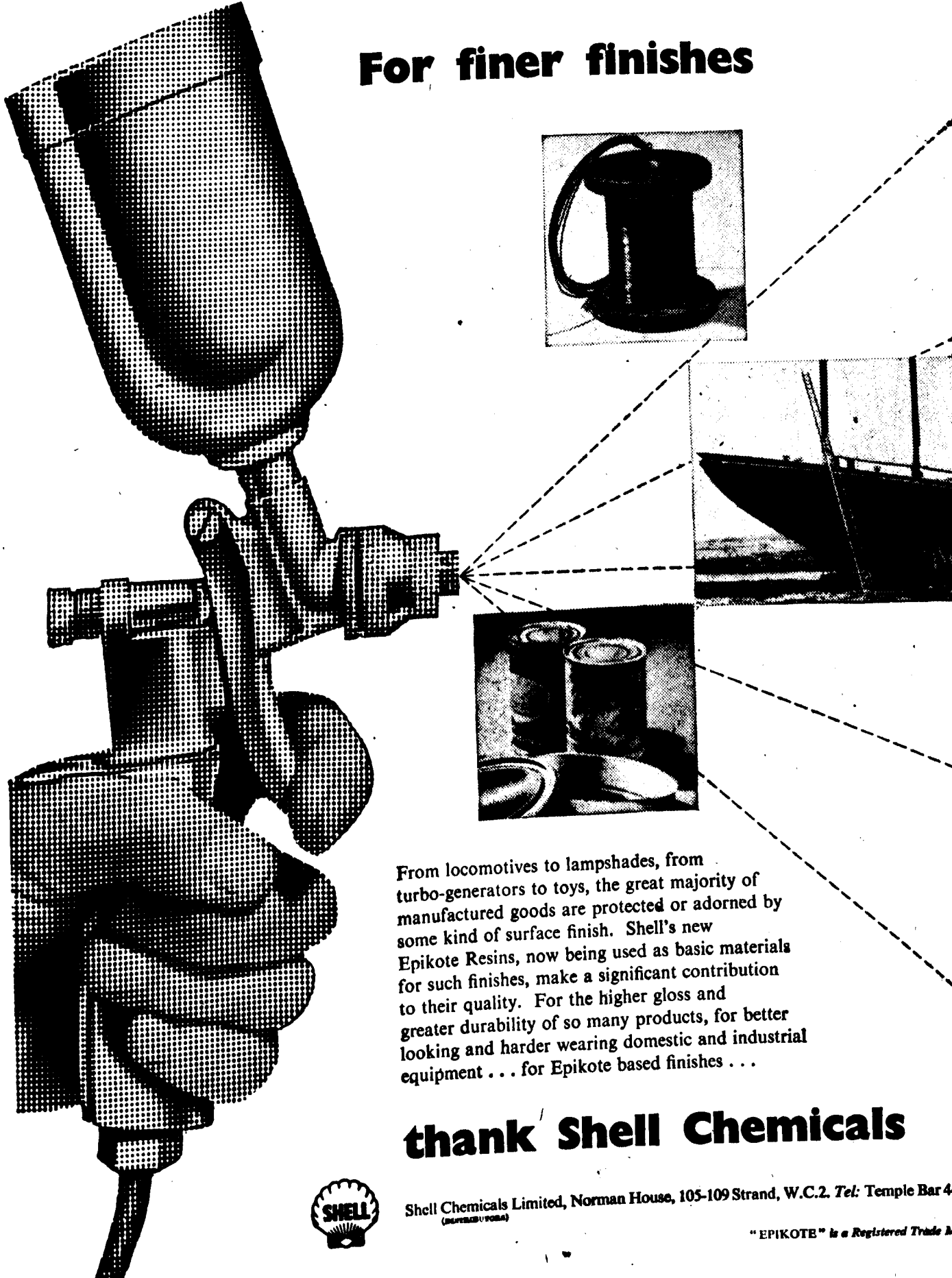
Mr Macmillan's Opportunity

MR MACMILLAN has yielded gracefully to the argument that he should act soon to reform the system of local government. This week he persuaded the Commons to reject a private Bill which would have made Luton a county borough. The objection he offered was the familiar one: that piecemeal changes of this sort would prejudice the task of comprehensive reform. But the Minister recognised that this excuse, which has been used ever since 1945 to prevent any change at all in local government, has worn very thin indeed. He therefore promised Luton and other towns with similar aspirations that next session the Government will either produce a plan of its own or will cease to block their proposals.

This, it should be noted, is not a direct promise that a Government Bill will be forthcoming. But the zeal with which Mr Macmillan contemplated the task—viewing it as "a great prize" for whoever grasps it—suggests that his statement may be a more reliable comment of things to come than Mr Bevan's equally vehement statement, during his

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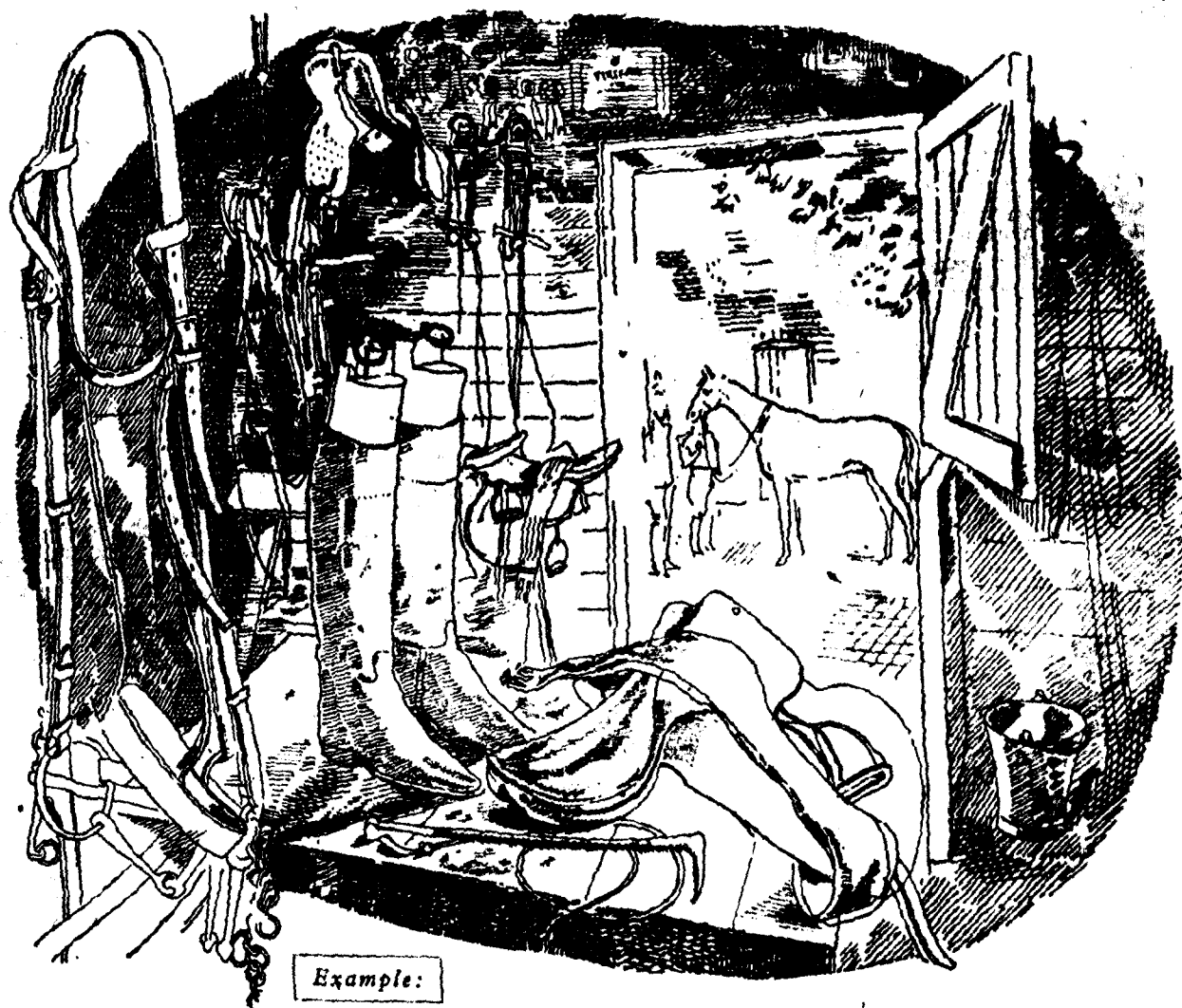
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tenure of office. Mr Macmillan must know that local government reform has made notable reputations for statesmen in the past—for Goschen in the last century and for Neville Chamberlain in the 1920's. Like Chamberlain, too, Mr Macmillan has distinguished himself by the number of Bills—11 in all—which he has already promoted during this Parliament, and which he has given as his excuse for the continued delay over local government reform.

It is unfortunate, however, that the Minister still puts so much weight on the possibility of reaching agreement among the local authority associations as a prelude to reform. Such agreement is hardly likely; and in any case the plan which the counties and county districts recently put forward is a half-hearted and emasculated compromise. When the county boroughs have had their say, there will probably not be very much left of it. Mr Macmillan would be far wiser to turn for inspiration to the proposals of the Local Government Boundary Commission, which the Labour Government so cavalierly dismissed. Those proposals would admirably meet the needs of towns like Luton, by creating a new type of local authority half-way between borough and county borough. Certainly the commission's plan could be improved—for instance by cultivating a closer union between town and countryside. That is the challenge to Mr Macmillan's statesmanship—provided, of course, he does not move on to higher office shortly after making his most encouraging statement, as Mr Bevan did.

Pagoda-Building at Geneva

COMMUNIST China's propaganda, which may only echo faintly in the West but reverberates like a mighty gong throughout Asia, is now devoted to presenting a version of the coming Geneva conference that firmly ignores the facts. At Berlin, Russia and the three western powers agreed that they would invite to Geneva the nations that had taken part in the Korean war and those interested in Indo-China, China being of course included along with nearly a score of other states. Now, however, Peking—with support from Moscow—is hammering home the idea that Geneva is essentially a meeting of the "Big Five," and that China will be there as a host, not a guest.

This is much more than mere formalism. In Asia, prestige is a very powerful weapon; it was skilfully exploited by Ming and Manchu long before Mao Tse-tung was heard of. It is told that the Buddhist kingdoms of South-East Asia learnt to beware of several ingenious devices by which China sought to assert its suzerainty over them. One trick was for a new Chinese ambassador to, say, Mandalay to bring in his retinue a team of carpenters, who, the night after his arrival, built extra wooden storeys on to the house where he was lodged, so that in the morning his roof was higher than that of the Burmese king; this was a clear proof of suzerainty, and the king must choose either to accept it or to force its removal, which involved the risk of war.

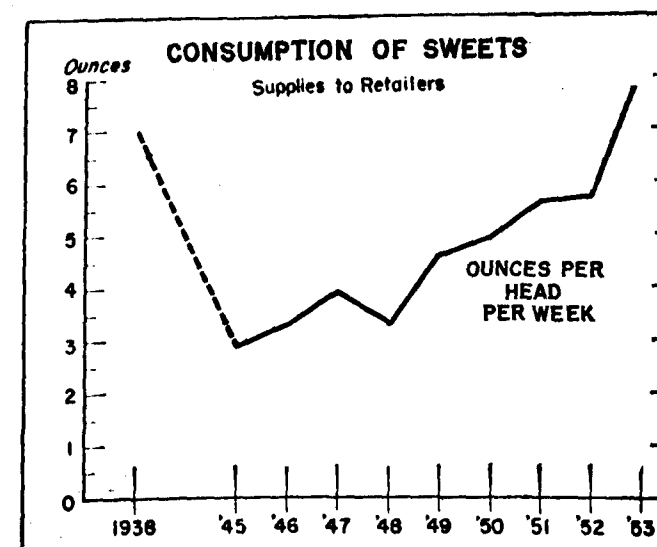
At Geneva, the Chinese clearly mean to go in for pagoda-building of this kind, and the western delegates, however harassed by their own peoples' impatience with wrangles over procedure, will have to stand constantly on guard against it. For there is no secret as to Peking's ultimate

intentions. What the Chinese are saying shows that they see Geneva as a virtual substitute for the United Nations; the conference, far from being restricted to Korea and Indo-China, will, they insist, open up a perspective of further "Big Five" meetings that will deal with all major international problems. The western governments will have to be both firm and resourceful if they are to maintain their thesis that China must earn its place in the sun by improving its behaviour.

Formosa in Straits?

IT was a foregone conclusion that Chiang Kai-shek would be re-elected as president in Formosa, and it may not seem to matter much whether he is president or not. But his defeat on the first ballot in the Assembly, whether or not it was an arranged demonstration of democracy, together with the hostile comment by Dr K. C. Wu in America, indicate a division of opinion among the Nationalists which may reflect a corresponding cleavage among their backers in the United States. Has the exiled regime a better chance to survive if it looks for new leadership or if it carries on under the old management? The advantages of making a fresh start, and bringing forward new men untainted by past failures and young enough to grapple with the new problems, must be weighed against the argument that the known name must be kept on the letter head, and that the man who governed China for twenty years has still more advertisement value—and more prestige for reconciling factions—than any newcomer. For better or worse the latter course has been followed.

The situation of Formosa is at present one of stalemate. Nothing has happened in the past year to bring any nearer the dreamed-of day of return to the mainland of China. But neither has anything happened to throw doubt on the American determination not to yield Formosa to the Communists. The Nationalists regained much prestige by the decision of 14,000 Chinese prisoners in Korea to go to Formosa instead of returning to the People's Republic—a result which, in view of the neutral supervision over the



final choice, was a heavy blow to the Communist claim of virtually unanimous popular support. Nationalist China will not be represented at the Geneva Conference, nor will the possession of Formosa be on the agenda, but South Korea will be there, and the close relations now existing between Seoul and Taipeh make it probable that the first appearance of the Chinese People's Republic at an international conference will be an occasion for a very vigorous political attack on it, not from a Western, but from an Asian, quarter.

Denationalising Welfare

Arguments about public finance, opinion in this country ranges itself in the main behind one or another of two broad propositions. The first is that it does not really matter (in principle, one's own taxes are apt to be a special case) how much the state takes out of the citizen's pocket, so long as the citizen body as a whole gets value for money in return and so long as the final distribution of income represents an improved measure of social justice. The second is that there exists a well-defined danger point, corresponding to a certain percentage of the national income, beyond which any increase in taxation—no matter how equitably and expediently raised and used—is bound to bring economic stagnation, monetary inflation or both.

Mr Colin Clark has for many years been the enfant terrible of the second school, buttressing his argument with historical and statistical evidence ranging as far back as ancient Rome. In a stimulating booklet,* he has now mapped out what he would like to do about it. In brief, he suggests that, except as general rule-maker and rescuer of last resort, the state should bow itself out of the "insurance" business and, so far as possible, from the whole administration of the social services. Unemployment insurance should be handled by the unions; the Friendly Societies should take back health; the Churches should take over education, with conditional subsidies. All this would make it possible almost to halve taxation, bringing the total just inside what Mr Clark regards as the safety limit. This smaller sum should be raised by a reformed income tax or surtax, a very few indirect taxes, and a land tax which should replace rates. On balance, the average wage-earner would be better off than he is now (despite the disappearance of some currently "free" services); while the skilled, professional and business taxpayer would regain a differential that would make skill and enterprise worth while.

Mr Clark has never lacked courage, nor the capacity to take ordinary human beings' breath away. He has also always managed to compress his researches into a form where he has insufficient space to look too closely at the political implications or economic weak spots of his own proposals. But as a first sketch of an impossible structure, from which a few practical bricks may be taken if the political trend should continue in the direction in which high taxation is impelling it, this startling booklet deserves attention.

* "Welfare and Taxation." By Colin Clark. Catholic Social Guild (125 Woodstock Road, Oxford). 80 pages. 3s. 6d.

The Doctor's Life and Labour

GENERAL practice must be rapidly acquiring the reputation of being the most surveyed of all occupations. A committee of the Central Health Services Council is at present studying it on behalf of the Ministry of Health. The British Medical Association published a report on it last September. This week, the Nuffield Provincial Hospitals Trust published* the results of a three years' survey by Dr Stephen Taylor, the former Labour MP for Barnet. These and other surveys all appear to have had a twofold origin. The introduction of the health service, to begin with at least, depressed the status, financial and professional, of the general practitioner compared with that of his colleagues in the hospitals. Secondly, early in 1950 the *Lancet* published a report by a New Zealand doctor—Dr Collings—on the state of general practice in Britain; this painted such a gloomy picture that it provoked other surveys to see if his generalisations were valid.

Fortunately, both the British Medical Association's surveyor and Dr Taylor declare that they were not. Both are agreed that about a quarter of all general practices are of a high standard and about a half sound and reliable. The unsatisfactory quarter, says Dr Taylor, "shows substantial room for improvement; it includes a final twentieth for which it is hard to find excuses." Numerically, this submerged twentieth is serious. According to Dr Taylor, it means that the work of 1,000 doctors may be so bad as to constitute a risk to some two million patients.

His report is addressed directly to doctors themselves. Using his eyes, ears—even his nose—and his keen sense of what is valuable in medical practice and what is superfluous or irrelevant, he gives a vivid picture of the working day of the general practitioner. What is more, he shows, in considerable detail and with illustrations, how, by paying attention to organisation and accommodation, many doctors could raise their standards—though he wisely does not equate good premises with good doctoring. The worst general practices are to be found in the industrial areas of the great towns, where doctors usually live away from their work; the best in the country towns, where the doctor is a part of the community. All doctors should read this report both as a tonic in itself and as a prescription for better practice. Patients will find out how doctors earn their £60 million a year; moreover, by learning what are good standards of practice, they will come to expect them and thereby help to foster them.

Technical Aid and the Colombo Plan

THE increase in Britain's contribution to the United Nations Specialised Agencies was generally welcomed on both sides of the House when a supplementary estimate for it was voted last week. Party division of opinion was mostly a matter of emphasis; Labour members were more concerned to welcome the extra £150,000 provided,

* "Good General Practice." By Stephen Taylor. Oxford University Press. 604 pages. 12s. 6d.

Conservative members to stress the need for laying it out on the right lines. The welcome was occasionally qualified—Sir Richard Acland, for instance, describing the improvement as from a "very mean" to a "mean" contribution—but the bipartisan approach to the task of international development was more marked than the party divergences. It generally is when aid is going up.

The debate did something to clarify points previously in doubt. The relationship between the UN Technical Assistance and Expanded Technical Assistance programmes on the one hand, and the Colombo Plan on the other, is still in process of being worked out. United Nations technical aid is primarily concerned to supply experts, and only 25 per cent of any sums expended under the technical assistance programmes can be used to provide capital equipment. The administrators of the Colombo Plan face no such legal limitation and can allocate funds at their discretion. Mr Dodds-Parker reported that "a substantial amount" of technical equipment from the Colombo Plan was being allocated to projects launched by the Specialised Agencies in the Colombo countries. He did not, however, have time to specify, at Sir Richard Acland's request, the steps taken to ensure that every such opportunity of combined action should be grasped.

The international approach to development has obvious advantages. It is much less apt to rouse the recipients' often inveterate suspicion of hidden imperialistic aims than any scheme that seems to be principally sponsored by a single power. On the other hand the regional and political solidarity which the Colombo Plan both expresses and encourages has its own value; and it is, of course, easier for Britain to participate in it than through channels—such as the World Bank—which assume that there is one trading world instead of one and a half. The dovetailing of United Nations technical assistance and the Colombo Plan's capital development should benefit both; but it would be wise to issue some further report on how this dovetailing is to be achieved. With so little money to spread over so wide a field, overlapping would be inexcusable.

Shuffle and Cut in Warsaw

THE reshuffle in leadership which followed the Polish Communists' party congress last week truthfully reflected the spread of "collective leadership" from the Soviet Union to the satellites. Boleslaw Bierut could no longer remain the boss both of the Polish party and of the government, because in Russia the control of the two levers of command is no longer in the hands of a single individual. With no Stalin in the Kremlin, little Stalins cannot be tolerated at the periphery. The Bulgarians fell into line recently, and only the Rumanians are still out of step. But if "collective leadership" is now the official pattern, the division of powers is not the same in all the countries. In Bulgaria, as in the Soviet Union, the premier seems to be the *primus inter pares*; but in Poland, as in Hungary, Mr Bierut relinquishes the premiership and clings to the secretaryship of the Party.

In another respect Poland seems to depart from the Soviet model. In Russia Malenkov, the premier, and Khrushchev, the chief secretary, are probably now of com-

parable stature; in Poland the new premier—Jozef Cyrankiewicz, a former socialist—is not much more than a figurehead. Moreover, he is now closely jostled by two "first deputy premiers"—Mr Minc and Mr Nowak—who will keep an eye on him. But their primary task will be to watch over the new economic policy of concessions to peasants and to consumers in general. Mr Minc, who had long opposed rapid collectivisation and a reckless industrialisation drive, comes into fashion at last with the economic "new look."

Another deputy premier now appointed is Jakub Berman. It is significant that Minc and Berman—both of them are Jews and suffered an eclipse at the time of the Slansky affair and the doctors' plot—are now coming back into the limelight. Will Warsaw alone be spared a "Moscow trial"? (The former leader Gomulka has not been brought into the dock, five years after his disgrace). The Kremlin attaches a great importance to its chief satellite, and no less a person than Mr Khrushchev was sent as its delegate to the congress. It was, very noticeably, left to him to call the Poles to vigilance against external and internal foes—giving the impression that the "fraternal" delegate from Moscow was urging the Polish comrades to "fraternal" strife. In spite of their present orderly reshuffle, Polish Communists may still be required to make bloody offerings on the Soviet altar.

No Army of Sin

MR NUTTING'S reply to last Friday's debate on the rights of children fathered by American servicemen was satisfactory. In the first place, he stated that the report mentioned in a recent court case (and derived from an American newspaper)—that there were 70,000 such children in Britain—was a gross exaggeration. In fact, the American authorities have traced only 1,200 inquiries from unmarried mothers in search of their children's fathers; and only 100 of these are still outstanding.

Secondly, he confirmed the Attorney-General's recent promise of reforms. As the law stands, American troops (like our own) are immune from being forced by British courts to make payments under an affiliation order, but (unlike our own) they are also immune—thanks to a Congressional order—from having allowances deducted directly from their pay. When the Visiting Forces Act, 1952, comes into operation (as it soon will) the position will be improved. Affiliation orders will then, in the last resort, be enforceable against anybody in this country by commitment to prison—a provision which will presumably apply to present as well as future orders. But the powers of British courts do not stretch beyond British territories. The Government hopes to reach a satisfactory arrangement with the American service authorities under which they will keep erring servicemen who have left the country up to the mark. The unavoidable loophole will be that once these men are demobilised there can be no means of enforcement short of an international and multilateral convention—which no one wants. It should be recognised by all who urge the case for reform that American practice in respect of troops serving overseas is certainly no worse than our own.

Letters to the Editor

Risks in Germany

SIR—Sir Robert Boothby's use of sweeping phrases is becoming a tiresome technique. For what is there of substance in either his criticisms of the European Defence/Political Community or his "alternative"?

His term "super-state" is clearly meant to give a bad impression. It is in direct contrast with the term "Community." To slip in the phrase "under German domination," is the wildest prejudgment. True the EDC Treaty does not make German domination definitely impossible. No form of words could do that—even with the resources of six languages. But nothing on paper could go further in hampering such a development and nothing else yet seen has gone as far. What the Treaty cannot provide for, can and must be covered by the very closest British connections. This applies equally to all European federal institutions.

"It would further divide an already truncated continent." More striking divisions than those between the sovereign states of Europe when left to take their own ultimate decisions could not be found. Strasbourg obviously is not a sufficient answer. Realising this, six nations have begun the first movement of its kind in history. At last independent Powers are subjecting themselves to an Authority which will override or co-ordinate, as necessary to the common interest, their several aims and policies. This group will form the core about which indeed a "viable and strong Western Europe" will be built. Only so can we create not merely the military but also the economic and political strength from which to negotiate the reunion of Germany and an all-European settlement.

As to the state of relations between France and Germany, a Saar settlement must be the acid test. We shall soon know its result.

We are offered a "European Defence Organisation" as "an integral part of Nato." If Sir Robert and his company think that such an alliance, after the conventional form, would be better able to contain an independently rearméd Germany, within or without Nato, then they show a brand of political naïveté which ought by now to be an anachronism.

One comment on Professor Pinto's letter. The Political Community's fate is now tied to that of the Defence Community. Only when the latter is in being can the greater scheme go on.

The moral is plain. There must be a minimum of delay with both.—Yours faithfully,
London, S.W.3

JOHN WHITEHOUSE

Suing the Samaritan

SIR—An interesting footnote to your article of March 20th would have been comment on the scale of damages awarded.

For example, on Friday last it was reported that a man aged 50 was to receive £8,254 for the loss of his left arm. With this he could buy an annuity of £500 or more. How would this compare with (a) the compensation he would receive if he lost his left arm in the course of his employment and (b) with the disability pension awarded to, say, a sergeant-major who lost his arm in action?—Yours faithfully,
Cheltenham

C. F. WOOD

SIR—May I draw your attention to an inaccuracy in the third paragraph of your article of March 20th. In the case of *Gold v. Essex County Council* the little girl's face was exposed to Grenz ray treatment without proper protection by the radiographer and not, as stated, by the radiologist. The court declared that the radiographer was a full-time servant of the council. Although the decision in this case doubtless helped to pave the way for Lord Justice Denning's judgment in *Cassidy v. Ministry of Health*, it in no way altered or modified the law applicable to doctors (including radiologists) as laid down in *Hillyer v. St. Bartholomew's Hospital*.

I may, perhaps, be permitted to add that the decision of the Court of Appeal in *Hillyer v. St. Bartholomew's Hospital* was an inconvenient one and gave rise to a diversity of judicial statement. The House of Lords had decided in 1866 in the case of *Mersey Dock Trustees v. Gibbs* that persons performing a public duty, even though gratuitously, are as liable for the negligence for their servants as are other employers. The Court of Appeal realised that the *Mersey Dock Trustees' case* was applicable to the case before it, but feeling that the result would not be a desirable one in the circumstances under its consideration, circumvented it by ingenious legal argument. This attempt to protect charitable hospitals served only to produce confusion into the law.

Owing to the recent increase in the number of actions for negligence brought against hospitals and doctors the law is rapidly becoming clarified. This, no doubt, is a source of satisfaction to the lawyers; unfortunately it does little to relieve the chronic anxiety engendered by the litigious sword of Damocles hanging over the head of each and every member of the medical profession.—Yours faithfully,
London, S.W.1

I. CRAWFORD JONES

Living Costs in Cities

SIR—The figures you quote under the above heading, as published by the Statistical Office of the United Nations, are clearly at variance with relative salary standards, at any rate so far as London and New York are concerned. To suggest, as the figures do, that New York salaries can be compared with those in London on a basis of about \$3.7 = £1 is contrary to the experience of employers. To obtain employees of comparable status it is commonly believed to be necessary to pay certainly not less than \$5 (and probably more) for each £ of the corresponding London salary.

Could the explanation be that the "spending habits of international civil servants" are on a more generous scale in relation to the ordinary man in London than in New York? Of salary levels in the other cities I have little knowledge but I suggest the figures should be regarded with great suspicion.—Yours faithfully,
London, S.W.1

K. A. USHERWOOD

Explosives in the Grate

SIR—In June, 1920, Mr Duke raised an action in the Court of Session in which he sued Mr Jackson for £750 in the name of damages for injuries sustained by him as a result of the explosion of a detonator included in a bag of coal that Mr Jackson had supplied to him.

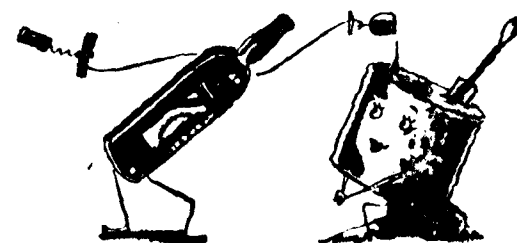
Mr Duke attempted to exploit concurrent remedies. He laid his action: first, on the common law of negligence, and he was allowed to go to proof on this issue; and, second, on breach of warranty under the Sale of Goods Act, 1893, Sec. 14 (1), and he was held not to have averred a relevant case.

Apart from the fact that his allegations failed to comprehend a complaint of the quality of the coal supplied, the Court held that he had no remedy under the subsection of the section of the Act that he pleaded. The coal, unlike the bun, could have been consumed without physical injury to and, being of excellent quality, for the greater comfort of the pursuer (anglice plaintiff). The Court was much influenced by the thought that the coal itself was not permeated by detonating material, and could have been safely used. No doubt, although the report is silent on the point, the learned Judges contemplated a variety of possible actions under the same Act, e.g., one based on the inedibility of bananas because they were imported in the company of a venomous snake which was included in the sale price and the crate in which the bananas were packed.

To your suggestion, which must be economically offensive to you, there is the alternative—that English lawyers would be well advised to import their law from North of the Border; or is that advice in itself a slight on the law of South Britain?—Yours faithfully,
Edinburgh

C. M. S. WHITEHAW

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Books & Publications

Divorce in Morocco

REVOLUTION AU MAROC.

By Robert Montagne.

Editions France Empire, Paris. 415 pages.
690 francs.

TWO quotations, one from this frank and interesting book and the other from General Catroux's recent "Lyautey le Marocain," will at once acquaint the English reader with one important strain in French thinking about Morocco. General Catroux remarks that his countrymen have allowed their "gift for technical excellence to outweigh the art of winning souls." Professor Montagne, developing the same theme, adds:

If out of sheer discouragement we now abandon all effort to win adherents, and to make use of the minds our teachers are striving to train in our image, we shall have assented in advance to the ultimate wreck of our labours. And where will all the fine plans of our technicians be then?

In Morocco, as at every point where the white settler has taken root in Africa, both European and African are on edge. Last August, France's banishment of the Sultan drew attention to the state of their tempers; it has since prompted Professor Montagne to try to do two jobs—to analyse why the gulf between the communities has grown so wide, and to emphasise how great a change of heart will be needed on both sides if it is to be narrowed again. He is well qualified for the job: he was one of Lyautey's "kindergarten"; he speaks both Arabic and Berber; also—in contrast to most Frenchmen in North Africa—he has lived in the Middle East and so possesses a yardstick which they lack for measuring the strength and likely trends of Moroccan nationalism. He must have felt impelled by August's events to pour out his uneasiness, for his book was on sale in Paris by December. Yet it does not suffer from being written at speed; it gains in candour and uninhibitedness, and the Sultan's dethronement was clearly only the spark that touched off some mature ideas.

The pattern of modern Moroccan history that he traces is not the complacent one familiar to Frenchmen. Lyautey did his main work in a decade—the twenties—in which the number of influences afoot was blissfully simple. There was the Sultan's absolute government or *Maghzen*, and there were the tribes. Lyautey, bent on avoiding the control by conquest which he had thought a mistake in Algeria, built up the *Maghzen* into an ally; his scheme was foolproof so long as Sultan and Resident-General were at one. For reasons of

economy and also by the fortuitous circumstance of France's preoccupations elsewhere, he never sought to deprive the tribes of the kind of influence that their biggest chieftain, the Pasha of Marrakech, still exercises today. Simultaneously Lyautey, charmed by the dignity of Moroccan mediaevalism, left it inviolate and ordered the building of French towns as entities apart. He personally had the imagination to adjust these theories to meet changing circumstances. Not so his successors, who perpetuated them to the letter, finding their tastes for centralisation suited down to the ground by his conception of absolute rule via the Sultan's edicts or *dahirs*. Living in their comfortable segregation they failed to grasp that two new forces had upset the old balance held by the Resident-General between the Sultan and the tribes. These forces were nationalist youth trained in French schools, and a large detribalised proletariat attracted to the towns by French enterprise. The French residents, therefore, were thunderstruck when, in 1944, Morocco asked for independence. From that date "the divorce of the couple Sultan-Resident was consummated; the 'Plan Lyautey' was over."

The next nine years were to see an odd realignment of the forces at work—a foregathering of Sultan with nationalists, and Frenchmen with the most reactionary of the tribal leaders. M. Montagne describes the many extraneous factors that helped this process: the Atlantic charter; Arab League propaganda; the arrival of postwar French investors lacking in knowledge of or thought for Moroccan claims to notice; the divisions of opinion in France; the growing insistence of technical departments on having the last word; the volatility of the Sultan's character. In the end he depicts a Resident-General powerless and bound like Gulliver by a thousand Lilliputian strings, many with ends in France, and no longer master of events once the "fiction of the *dahir*" had broken down.

During the narrative there emerge some interesting portraits: the familiar one of the magnetic Lyautey, an unedifying one of the ex-Sultan, and a terrifying one of the French community in Morocco. This he describes as by its very success accentuating the gulf between Europe and Islam, and between Arab feelings of inferiority lead to creating just the conditions in which nationalism in violent forms. Yet a majority of its number seem oblivious to the duties, as opposed to the rights,

that are incumbent on them if they claim co-citizenship:

It is no exaggeration to say that only a handful of Frenchmen have made personal efforts to bridge the gulf which is developing between the young generations of the two communities.

The last chapters, which propound ways out of the dilemma, describe a wealth of paradoxes. They show France vaunting prowess in giving Moroccans schooling but making little effort to provide them with outlets for their talents; they show local Frenchmen falling back upon support of Islamic reactionaries and at the same time offering representative institutions to a broadened electorate. They recommend abandoning the idea of co-sovereignty but pursuing that of co-citizenship; yet all the evidence in the book goes to show that the chances even of the latter are growing less, not greater, unless local Frenchmen set the example of an all-round change of heart and habit of which there is, in this record, scarcely a sign. Ending as it does on a hopeful note about co-citizenship, the book reminded this reviewer of a long problem in algebra to which he once appended the right answer supplied from elsewhere although his own calculations produced no such result.

At one point in last summer's argument the ex-Sultan is recorded as saying, "Do you really think that deposing me will solve the Moroccan problem?" He has the last word.

Poet and Priest

GEORGE HERBERT.

By Margaret Bottrall.

John Murray. 154 pages. 15s.

AT Bemerton the ecclesiastical scene is very Anglican. The church is ancient, perfect, and as tiny as it was hundreds of years ago; to the rectory, already towering above it, large and tasteless additions were made during the last century. Here in 1630, having set the world behind him, George Herbert came as parish priest. A dedication more out of the way than it would have been in the succeeding century, it was yet judicious and convenient. In one direction an easy walk brought the parson to Salisbury and the musical society which he loved; equally accessible in the other was Wilton, one of the great houses of England. Reasonably, he might give no more of his time to the three hundred parishioners of Bemerton St. Andrew and Fugglestone St. Peter than to the scarcely less numerous household of his kinsman Lord Pembroke.

There were six servants and a curate; a second curate was brought in when Herbert felt increasingly the weight of the malady to which he presently succumbed—for in that new way of life to which he had given himself Providence chose to sustain him for a little less than three years. It seems an unremarkable history. Yet Herbert's sanctity was no literary legend, founded upon his own

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writing and Izaak Walton's; rather it was matter of universal observation and convinced report among those with whom he lived and worked.

Mrs Bottrell's portrait of this rare spirit of the Laudian church is only less excellent than her examination of his poetry. Superficially, *The Temple* is notably "quaint": it was under this aspect indeed that a critic so sensitive as Coleridge records himself as having for long regarded it. But Herbert's imagery—in fact the whole movement of his mind—appears the less idiosyncratic the more we learn to recognise its basis in the Bible and in liturgical tradition. Viewed in this context, it gains in simplicity, becomes less "metaphysical," less substantially of the school of Donne and more discernibly in the line of Wyatt, Sidney and Jonson. Alike on these literary affinities and on the sheer individuality of his verse Mrs Bottrell writes with great discrimination. Her book makes no claim, it is true, to the deep and apposite learning with which Professor Rosemond Tuve has lately illuminated aspects of Herbert's art. But it is a well-balanced and perceptive appraisal of both the man and his work.

Apostle of Federalism

THE COMMONWEALTH OF MAN.
By Frederick L. Schuman.
Robert Hale. 526 pages. 25s.

PROFESSOR SCHUMAN, an author of voluminous text books on international affairs, and an American teacher of the subject of high repute, is best known in this country for two works on the diplomatic history of the 1930s, and for an ambitious account of the Soviet Union, "Soviet Politics at Home and Abroad," published in 1946. His new work shows that he has retreated from the positions he held a decade or so ago. Of his Soviet book he now writes:

While still useful, I trust, as a history and evaluation, [it] is now "dated" in that it assumed the possibility, however remote, of an ultimate "liberalisation" of the Soviet regime and supposed that the policy-makers of both Moscow and Washington might conceivably so behave as to avoid the probability of mutual self-destruction.

On his "Europe on the Eve" he now says,

In my earlier volume I expressed belief in the theoretical possibility of "collective security"; in the light of subsequent events and reflection, I now regard this belief as mistaken. "Collective Security" in all imaginable contexts is unworkable.

And a chapter or so is devoted to a powerful argument supporting this view.

It cannot be denied that Professor Schuman in his new role as an apostle of world federalism by agreement is not altogether unlike the Professor Schuman of an earlier vintage. When, for instance, he writes à propos of the Italo-Ethiopian War, "Moscow, under the guidance of the genial Maxim Litvinov, was fully committed to 'collective

security,'" he is writing a sentence in which almost every word is wrong. Furthermore his method of argument with a battering-ram occasionally lands him in some very odd places. He writes, for instance, that it is a

Self-evident conclusion, validated by all historical experience, that foreign intervention in a civil war fought by well-organised opposing factions on the territory of a major national community almost invariably results in the defeat of the faction accepting foreign aid.

It would be interesting to have General Franco's comment on this generalisation.

It would be wrong, however, to let the verge of hysteria to which Professor Schuman's obviously sincere hatred of war, persecution, and other ugly things sometimes leads him put one off reading this book. Thinking on international affairs in the western world, particularly in the United States, has been so affected by the "cold war" that we have tended to lose sight of the real objectives of the policies to which we are increasingly committed. It is worth while being reminded not only of Russia's unfitness to unite the world by force and of its probable inability to do so, but also that the United States also has not developed to the point where a wholly Americanised world is conceivable. What Professor Schuman has to say about the United States and the United Nations is particularly well worth study. One may feel that his belief that the various movements for world government present the only hope of avoiding war is mistaken, and that the self-restraint of existing national units, and the development of healthy collaboration among them, would be a more attainable route. But his point of view, which is illumined by wide learning, deserves attention and respect.

Old English

THE STRACHEY FAMILY.
By Charles R. Sanders.
Duke University Press (Cambridge University Press). 367 pages. 45s.

THE Strachey family, as the author says, "like life itself," and like all families, begins and ends in mystery; but the life of this paradoxically English and un-English family, as Mr Sanders has painstakingly and punctiliously unravelled it, is an adventure story. Followers of Galton will be struck by the steady emergence, through nearly four centuries, of many common traits: music (the first known Strachey group provided a musician in Elizabeth I's era); foreign travel (a Strachey provided the raw material for the storm scene in *The Tempest*); and literature—to say little of an inordinate love of animals (especially cats) and an eccentricity which alone would have warranted foreigners' descriptions of the English as mad, without any help from the Herveys.

Locke owed a lot to the Stracheys, some of it intellectually. India, when

the English were first there, saw Stracheys settling and administering affairs. In the eighteenth century a Lady "of the Strachie"—that phrase itself taken from Malvolio in *Twelfth Night*—entertains herself and her friends with performing animals: "the Bear being Laim am afeard cant perform But the doggs and mutkees is in good condishon and will I hopes be approved with the music." The first Sir Henry Strachey, owner of an estate in Florida, experienced at first hand the American revolution and had a hand in drafting the terms of peace offered to General Washington. But the Stracheys really shone in the nineteenth century, beginning with Richard's extraordinary mission to Persia (there is a glorious Persian painting of him, reproduced in the book, as hung in one of the palaces of the King of Persia), and ending with that "Olympiad" of Stracheys, which included Lytton and St Loe of *The Spectator*, and which largely made "Bloomsbury" famous in the first quarter of the present century, in music, literature and, symbolic of our era, a knowledge of Freud.

Mr Sanders brings out, though not fully enough to interest economists, the link between the Stracheys and Nassau Senior: St Loe married the only child of "Minnie," Senior's daughter, and that child, Mrs St Loe Strachey, mother of the Rt Hon John Strachey, MP, is still with us. Mr Sanders reproduces the "painting" of Nassau by Watts, but does not perhaps know that it was only a sketch and was never finished. There is also a charming childhood photograph of John with a dog, though we are told he prefers cats in the long family tradition. Mr Sanders's study is indeed a record of outstanding individual accomplishments: one well worth reading by Englishmen who understand their present, and envisage their future, as an unfolding of their past. Like most American books it has admirable indices, genealogical tables and index; and, like all such American books, it is a pity that it must cost so much in Britain.

Mountain Torrent

AGAINST THE STREAM.

By Karl Barth.
S.C.M. Press. 253 pages. 16s.

IN this translation of Karl Barth's shorter postwar writings the editor, Mr Ronald Gregor Smith, mentions a suspicion that Barth's theological structure remains alien and remote, like his own Swiss Alps, grand, impressive, full of splendid light and shade, but cold and—in their highest reaches at least—uninhabitable. He would himself like to persuade readers that Barth's theology is more like the towns and villages of Switzerland than its mountains: life flows into them from the mountains, but they are themselves most up-to-date and efficient, and life flows from them all around. It may be significant that the former simile is easier to develop than the latter, and although the translators—



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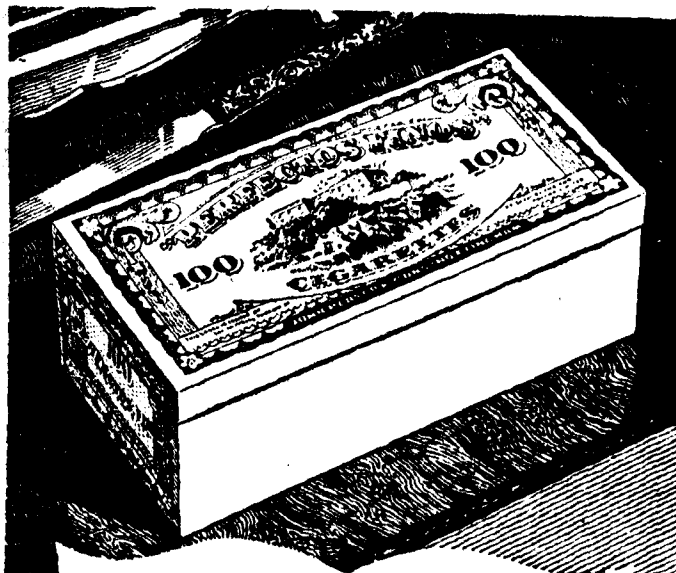
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he late Mrs E. M. Delacour and Mr Stanley Goodman—have done a good work in rendering Barth's "massive and complex" German into easy English, the suspicion is not wholly eliminated.

In the main these translations deal with social and political issues. The key essay on "The Christian Community and the Civil Community" makes it clear that the state, no less than the church, is a divine institution. There is much in this essay that is common ground with Dante and Hooker. But when we leave the philosophical uplands and ask what course of action the church is to take in particular circumstances, the answer is by no means always clear. Barth protests that the Christian answer will be made known, and can only be made known, as the circumstances unfold. In the light of his personal record, he can certainly not be accused of running away from the issue when it arrives. But many would appreciate clearer guidance before the event.

One's attention is particularly drawn to "The Christian Community in the midst of political change," and to an article on "The Church between East and West." The one practical conclusion that firmly emerges is that Christians should not attempt to form a political party of their own; and there will be few in this country disposed to challenge that conclusion. In order to understand Barth's attitude to current events, we must understand his view of revelation, and we must be grateful to the editor for including an essay on that subject. There are also interesting pieces on the Jewish problem and the Christian call to poverty. The collation has been given its title by Barth himself because it may appear to be moving against the general tendency of current political thought. Barth thunders nobly, but when the echoes have died away we are often left wondering what it is he has said.

Commonwealth Bloc?

COMMONWEALTH STOCKTAKING.
By L. St. Clare Grondona.
Butterworths. 389 pages. 35s.

MR GRONDONA'S painstaking analysis of the Commonwealth's resources is in a sense a companion volume to Mr L. S. Amery's treatise, "A Balanced Economy," which was reviewed in *The Economist* of February 20th. By contrast "Commonwealth Stocktaking" is non-controversial; it is factual, and the reader—save for a brief summary at the end of each chapter and a short concluding summary—is left to draw his own conclusions. But there is no doubt whatsoever that the author would like to convince his readers that he has made out a case for a largely self-sufficient, exclusive, Commonwealth trading bloc.

His method is to analyse the Commonwealth's resources commodity by commodity, bringing out such factors as the share of the Commonwealth in

total world production; its dependence on dollar sources of supply; the alternatives at hand for increased Commonwealth output; and many other significant facts (although still not as much as there might be about relative costs). The conclusions are well illustrated in colourful diagrams. As one might expect, in each instance the facts presented support the general conclusion that

if full advantage is taken of the immense variety of resources in the Sterling Commonwealth as a whole... it can ultimately overcome its dollar difficulties while preserving its competitive position vis-à-vis the rest of the world.

That dollar-saving investment can be made in the Commonwealth is not in doubt; but to say that the bloc will maintain its competitive position in the world is to make quite unwarranted assumptions about the productivity of these investments. The memory of East African groundnuts persists.

Mr Grondona admits that "no reasonably balanced system of Commonwealth economy is practicable without the inclusion of resources with which Canada is richly endowed." One can agree with him that Canada's departure from the sterling Commonwealth is an "unfortunate aftermath of the Second World War"; but one cannot expect Canada to return to the sterling fold just for old times' sake. There are other self-governing Dominions, notably the Union of South Africa, which—if pushed—might tend to gravitate towards the dollar pole.

But in unfolding the extent and variety of the Commonwealth's resources, the author has done a service by showing the great possibilities there are for investment in this area. Opportunity, however, is not enough. Imaginary bloc-building will never be a convincing exercise until somebody works out from what other forms of production all the necessary capital should be diverted, and at what exchange rate for sterling all the new production called into being would be competitive with foreign production already in full flow; if Mr Grondona turned his painstaking abilities to this task he would probably convert many of his own supporters into bloc-busters overnight.

Strange History

AMERICAN-RUSSIAN RELATIONS, 1781-1947.
By W. A. Williams.
Rinehart, New York (London: Macmillan). 367 pages. 35s.

THIS is an odd book—though no odder than its extraordinarily unattractive format might suggest. Its title is misleading. Although it begins with Catherine the Great's refusal to recognise the newly independent American Republic, the period between 1781 and 1905 is compressed into 47 pages while the great bulk of the remaining 236 pages are devoted to a detailed examination of the years 1914 to 1939. The period since 1939 is treated in a 25-page "Coda,"

whose brevity may be excused by the lack of source material but whose priorism is principally valuable as providing a clue to the unacknowledged premises underlying the rest of the book.

It may be going too far to say that Mr Williams's account of the strained and involved course of Russo-American relations in the twentieth century is Marxist, but it certainly reflects two characteristics of Marxist writing—a readiness to reduce the complexity of historical forces to a few abstract factors, and, paradoxically, at the same time to idealise the role of a few chosen individuals. Mr Williams's heroes are two characters who worked assiduously during this period for the establishment of good relations between America and the Bolshevik regime. The first of these was an old "Bull Moose" Chicago Progressive by the name of Raymond Robins, whose astuteness in international affairs may be measured by the fact that he was one of the principal lobbyists for the Kellogg Pact. Sent to Russia as a member of the Red Cross Commission in 1917, he quickly became and remained an assiduous advocate of American support for the revolutionary government. Matching Robins in importance was Andrew Gumberg, a Russian American from New York's East Side, who first returned to pre-revolutionary Russia as the agent of a New York business concern and became (apparently as one of the few, if not the only, Russian-speaking Americans in Moscow) a go-between with the revolutionary government. He reappears at intervals in the rest of the period as a skilful lobbyist for the various economic interests that traded with or invested in Soviet Russia.

Mr Williams's account is largely built around the papers of these two figures, but he has also had access to the State Department and national archives for almost the whole of the period before 1939 (an interesting contrast, incidentally, with the complete ban that is still imposed on comparable British documents of the same period). This has enabled him to amass a great deal of fresh and detailed information about the springs and course of American policy towards Russia during these years. In this respect Mr Williams's book is of undoubted value. What it entirely lacks is a sense of proportion. There is virtually no attempt to relate the memoranda of diplomats to the climate of public opinion. Moreover, Mr Williams seems unaware of the possibility that there may be a dark side to the moon; the inaccessibility of Soviet sources for this period seems to cause him no qualms. In his indifference to the activities, and almost to the existence, of an American Communist Party during the twenties and thirties, he retains much of the starry-eyed innocence which was a characteristic of American liberal thought at that period. Indeed, perhaps the most singular thing about Mr Williams's singular book is that it appears to have been written after World War II instead of before.

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.



Old Look Through New Eyes

Washington, D.C.

THE debate over the Administration's defence programme and the issues it may pose for the United States and its allies is presented below, in miniature, in a series of quotations.

The Policy

Mr John Foster Dulles, the Secretary of State, in New York on January 12th:

"We need allies and collective security. Our purpose is to make these relations more effective, less costly. This can be done by placing more reliance on deterrent power, and less dependence on local defensive power. . . . As long as our basic policy concepts were unclear, our military leaders could not be selective in building our military power. If an enemy could pick his time and place and method of warfare—and if our policy was to remain the traditional one of meeting aggression by direct and local opposition—then we needed to be ready to fight in the arctic and in the tropics; in Asia, the Near East and Europe; by sea, land and air; with old weapons and with new weapons. . . ."

"The basic decision [taken by the President and his advisers] was to depend primarily upon a great capacity to retaliate, instantly, by means and at places of our choosing. Now the Department of Defence and the Joint Chiefs of Staff can shape our military establishment to fit what is our policy, instead of having to try to be ready to meet the enemy's many choices. That permits of a selection of military means instead of a multiplication of means. . . ."

"We do not, of course, claim to have found some magic formula that ensures against all forms of Communist successes. It is normal that at some times and at some places there may be setbacks to the cause of freedom."

The Criticism

Mr Adlai Stevenson in Miami on March 6th:

"All this means, if it means anything, that if the Communists try another Korea we will retaliate by dropping atom bombs on Moscow or Peking or wherever we choose—or else we will concede the loss of another Korea. . . ."

"What if we are confronted with something less than a clear case of overt aggression? What if we had relied exclusively on a policy of 'massive retaliation' since the close of World War II? Would we have resorted to global atomic war in order to meet the Communist threat in

Greece and Turkey? To counter the Berlin blockade? To resist aggression in Korea? If the answer is 'no,' then the so-called 'new look' in foreign policy is no 'new look' at all, but merely a continuation of the policy of adapting our methods of resistance to the method of attack. . . . Instead of greater freedom of choice, does this decision to rely primarily on atomic weapons really narrow our choice as to the means and places of our retaliation? Are we leaving ourselves the grim choice of inaction or a thermo-nuclear holocaust? Are we indeed inviting Moscow and Peking to nibble us to death?"

Mr Lester Pearson, the Canadian Secretary of State for External Affairs, in Washington on March 15th:

"The key words . . . are 'instantly,' 'means' and 'our.' From our point of view it is important that the 'our' . . . means those who have agreed together, particularly under the North Atlantic Treaty, to work together. . . . It seems clear that this 'new defence policy' makes diplomacy not less but even more important. . . . Diplomacy includes . . . the search for agreement between friends on policies and tactics and timing, so that 'our choosing' will mean an agreed collective decision. . . . Indeed, such agreement, after consultation and discussion, is, to put it bluntly, necessary, if this policy of preventing aggression by the threat of immediate and overwhelming devastation is to work collectively."

The Explanations

The Vice-President, Mr Richard Nixon, on television on March 13th:

"We found that in seven years of the Truman-Acheson policies six hundred million people had been lost to the Communists and not a single Russian soldier had been killed in combat. . . . So we adopted a new plan, and that plan, summed up, is this—rather than let the Communists nibble us to death all over the world in little wars we would rely, in the future, primarily, on our massive, mobile retaliatory power which we could use at our discretion against the major source of aggression at times and places we chose."

Mr Dulles at his press conference on March 16th:

"If you will read my address of January 12th, you will see that what I advocated there was a 'capacity' to retaliate. In no place did I say that we would retaliate instantly. . . . The question whether or not you retaliate instantly and where you retaliate is a matter to be dealt with in accordance with the facts of each situation."

Mr Dulles in an article written for the April issue of "Foreign Affairs":

"Initially this re-shaping of our military programme was misconstrued in various respects. Some suggested that the United States intended to rely wholly on large-scale strategic bombing as the sole means to deter and counter aggression. What has already been said should dispose of this erroneous idea. The potential of massive attack will always be kept in a state of instant readiness and our programme will retain a wide variety in the means and scope for responding to aggression."

Admiral Carney, the Naval Chief of Staff, to the Naval War College, Newport, Rhode Island, on February 16th:

"Not being aggressively inclined, we simply do not know when war will occur, what will precipitate it, nor what it will produce nor how long it will last. The only truly sound conclusion to which we may come is that not being an aggressor nation we dare not entrust our safety to any single rigid and unalterable course of action. Rather we must—costly as it may be—be prepared for numerous contingencies. . . . If we are honest with ourselves we will acknowledge that there are big wars, little wars, general wars, localised wars, Marquess of Queensberry wars and savage, ruthless wars, atomic wars and, perhaps non-atomic wars. . . . it is entirely possible that we might see a limited use of atomic weapons . . . or a nuclear stalemate with both sides refraining for fear of retaliation."

Admiral Radford, the Chairman of the Joint Chiefs of Staff, before the Senate Appropriations Committee on March 15th:

"Our planning does not subscribe to the thinking that the ability to deliver massive atomic retaliation is, by itself, adequate to meet all our security needs. It is not correct to say we are relying exclusively on one weapon, or one service, or that we are anticipating one kind of war."

Mr Dulles in the "Foreign Affairs" article:

"The heart of the problem is how to deter attack. . . . The essential thing is that a potential aggressor should know in advance that he can and will be made to suffer for his aggression more than he can possibly gain by it. This calls for a system in which local defensive strength is reinforced by more mobile deterrent power. The method of doing so will vary according to the character of the various areas. Some areas are so vital that a special guard should and can be put around them; Western Europe is such an area." President Eisenhower at his press conference on March 17th:

"All that the 'new look' is, is an attempt by intelligent men to keep abreast of the times . . . to call it revolutionary or to act like it is something that just suddenly dropped down on us like a cloud from heaven is just not true."

Summing-Up

Mr Walter Lippmann in the "New York Herald Tribune" on March 18th:

"The official explanations of the 'new look' have become so voluminous that it is almost a career in itself to keep up with them. . . . As the explanations and restatements come flowing in, it seems to me fairly certain that the New York speech, which started it all, was a case of excessive salesmanship. . . . There is no doubt that the words of the text convey the impression that something momentous and novel has been decided. But everything that has been said since then . . . makes it plain that there has been no radical change in our strategic policy."

Oil in Deep Waters

FROM A CORRESPONDENT IN TEXAS

CONGRESS has at last succeeded, with the Submerged Lands Act, passed last May, in satisfying the Supreme Court that the states, and not the federal government, have jurisdiction over the natural resources under the water off their shores, from the low-tide mark to their "historical limits"; these are usually three miles out to sea, but are three leagues, or about 10½ miles, in the cases of Florida and Texas, which were subject to Spanish law before they joined the United States. These two states, with Louisiana and California, were the immediate beneficiaries of the Act, for all have, or, in the case of Florida, are thought to have, oil deposits under their offshore lands. Other states immediately challenged the right of Congress to surrender to the people of these few lucky states the valuable assets over which, the Supreme Court had previously held, the federal government had paramount rights and which therefore, it was argued, should be exploited for the benefit of the nation as a whole.

But last week the Supreme Court refused to allow Alabama and Rhode Island to contest the validity of the Act; they were concerned about the threat to their fishing rights as well as about what they claimed was an unconstitutional abdication of national sovereignty by Congress. The Court's opinion was expressed in such decisive terms that it seems to settle the issue finally and, furthermore, to leave the Republicans free to transfer to the states more of the public lands—the national parks, for example—should they wish to do so, as their critics allege they do. For the Supreme Court ruled, by 6 votes to 2, that the power of Congress over the public lands is without limitation; the two dissenting judges, Justices Douglas and Black, were troubled about, among other things, the possible effect of the ruling on the federal government's ability to protect the nation's shores.

★

While the Supreme Court decision has probably ended the controversy over the principle of ownership of the undersea oil, there are still many practical legal questions to be settled, especially along the shore of the Gulf of Mexico; some of them can hardly fail to end up in the courts. The exact line of the historic limits will have to be drawn, for between that boundary and the edge of the continental shelf the states' claims have all been ceded to the federal government, and large deposits of oil, difficult as they may be to develop, are believed to exist in the huge area involved. Should the three-mile and the 10½-mile measurements be taken from the mainland or from the outlying islands? Should the line be drawn straight or follow the contour of the much-indented coast?

In any case it will be necessary to determine whether the low-water mark, from which the measurements begin, is that which prevailed when the individual states came into the Union, or the progressive mark which has been established by siltation. There is a wide difference between the two, especially in Texas and Louisiana. A minor problem has arisen between these two states as to where the ocean boundary between them lies. Texas claims a line along the undersea channel of the Sabine River, while Louisiana wants a line directly out to sea. However, Texas

and Louisiana think they can reach agreement. Nor is litigation anticipated on the submerged boundary line between the United States and Mexico, which was definitely fixed by treaty in 1848.

These problems are not yet delaying the development of the submerged oil lands owned by the states, for most of them are well within the undefined boundaries and can safely be leased. There has been renewed activity in all of these states since the basic legal position began to become clear with the passage of the Act. But the Department of the Interior, which acts on behalf of the federal government in these matters, has not yet worked out a procedure for granting leases beyond the states' historic limits and in California state laws, designed to protect the beauty of the coastline, will have to be changed before the undersea oil can be fully exploited.



Leasing of oil lands off the Texas coast began in 1922, was held up while the Supreme Court decision against state ownership was in force and was resumed after the passage of the Submerged Lands Act. Since then the Texas General Land Office has leased more than 400,000 acres for \$33 million. The area to be leased is divided into tracts of several thousand acres, each of which goes to the highest bidder; bids vary from about \$700 to \$5 an acre, according to the estimated oil-bearing potentialities of the tract. In addition to the bonuses paid for the leases, which now amount to more than \$40 million, the state will get a royalty of one-eighth on all production; all of this money goes by law into the Texas public school fund.

Altogether over 800,000 acres of undersea land along the Texas coast have been leased, but much of it has been abandoned; a month ago slightly more than 500,000 acres were under lease. This probably means that more than one-fifth of Texas's underwater oil reserves have been leased. Present geophysical exploration enables oil-bearing structures to be ascertained with high accuracy, especially with the salt-stock type of structure that prevails along the Gulf coast. About \$300 million has been spent by oil companies in exploring for oil along this coast, mostly in Louisiana, where offshore development is ahead of that in other states, with 28,000 barrels a day being produced at the end of 1953.

This is partly because proved oil formations in Louisiana were known to extend from the mainland under the sea and partly because of the state system of leasing. In Louisiana annual rentals of half the original bid are paid, so that few companies can afford to hold leases on tracts that have not been proved. Texas leases are for five years at \$2 an acre a year, so that a company is under no immediate financial compulsion to drill a well. Actual production from the Texas submerged areas is still very small and comes primarily from wells on the beach which extend

under the tidelands through a process of directional drilling, a method also used in California.

This drilling at an angle may be widely employed in order to keep down the cost of underwater operations. Wells on the beach will be driven under the ocean as far as is feasible and even where drilling is done in the open sea from a platform it will be possible to probe a considerable area from a single base. The old bugaboo of the accidental "croked hole" or "dogleg" well is being put to scientific use and an extensive new technique of drilling is being developed.

Other new techniques, expensive and experimental as well as extensive, must also be developed. Some engineers think that future underwater drilling will be from individual anchored platforms which will be supplied by tenders, while others believe that the operations will be from big floating communities on which workmen will have their permanent homes. In the shallower areas an artificial island may take the place of the floating platform. The cost of offshore drilling, even in shallow water, is at present estimated at several times above that of drilling on dry land. An underwater oil field will have to be very rich to be worth developing at all, and the rule of diminishing returns will apply more rapidly there than on land.

If, when several wells are drilled in different directions from a single floating platform, one should catch fire, the others might also be affected and the risk of losing the expensive equipment would be great. That equipment would almost certainly be lost in any case sooner or later in the hurricanes that frequently traverse the Gulf of Mexico. No present-day offshore drilling establishment could withstand one of these storms. Another risk that cannot be accurately calculated is that, if a well gets out of control, oil will be sprayed on the water and might spread to the Florida beaches; the damages claimed by municipalities and hotel owners could ruin the oil company responsible. It is not surprising, especially at a time when the existing supply of oil is outrunning the demand, that many in the oil world wish that the need to keep up with their competitors was not forcing them into the deep waters of offshore undertakings; they envy the small oil companies and independent operators who cannot afford to put out to sea.

American Notes

Instant Retaliation?

THE unexpected force and range of the hydrogen bomb set off in the Marshall Islands on March 1st have underlined the massive, indeed the appalling, nature of the retribution which an aggressor might suffer. Fear that such horrors might be unleashed automatically, under the doctrine of instant retaliation, has forced the Secretary of State to promise America's allies that they will be con-

sulted first. But Mr Dulles has been less successful with Congress, which scents a threat to its own powers to declare war.

The President innocently started the trouble when he appeared to enlist on the congressional side in this historic argument; with his mind on Indo-China he gave a sweeping assurance that he would not involve the country in any war which Congress had not declared. The virtue of the new policy lies in surprise and flexibility; these might be lost if Congress, which might not even be in session, invariably had to be consulted before the Administration could act. Mr Dulles, therefore, proclaimed his own view that under the North Atlantic and Rio Treaties, which regard an attack on one signatory as an attack on all, the President had been authorised to treat an attack on London or Paris exactly like one on New York.

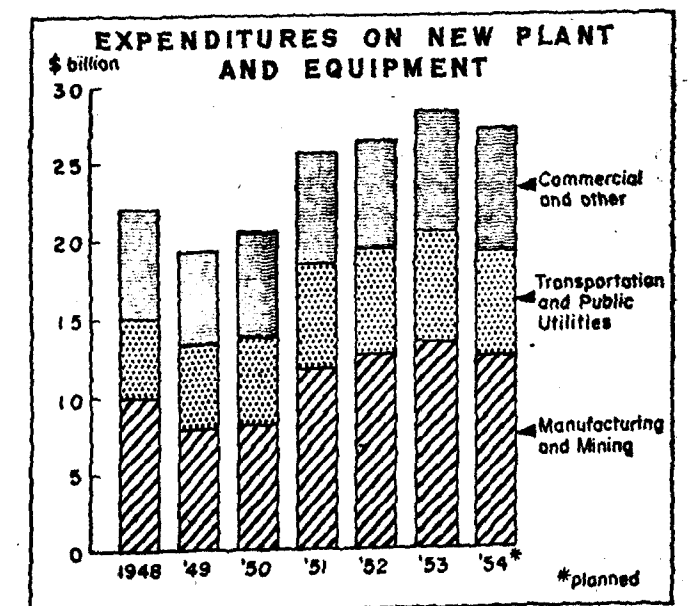
This argument is not attractive to the House, which must give its approval when war is declared, but had no part in approving the treaties. The Senate itself may view it as an example of the encroachment on congressional rights which recently brought an amendment restricting the President's powers to within one vote of being passed. Mr Dulles, who was in the Senate in 1949, when the North Atlantic Treaty was debated, apparently had forgotten that the Foreign Relations Committee at that time insisted that the treaty gave the President no powers to act without congressional sanction which he did not possess already.

The President prudently has refused to be drawn into any hypothetical discussions, but he has left no doubt that, if the United States were attacked, he would not wait for a formal declaration of war. Mr Dulles, for his part, has conceded that the President would not necessarily use in every case the powers his Secretary of State believes he possesses to punish aggression, but only when an attack on an ally threatened the United States. With obstinate realism, however, Mr Dulles insists that any attack in Europe comes under this head, and that failure to move instantly to protect American air bases abroad might jeopardise America's capacity to retaliate. In fact, five of America's wars, including that in Korea, have been fought without any declaration by Congress. But it is this, of course, which rankles.

Plans for Spending

THE refusal of both businessmen and consumers to take the signs of recession as seriously as economists think they should be taken—a refusal which may in itself be enough to prove the economists wrong—was demonstrated last week by two official predictions for 1954, which have in past years proved very accurate. The Department of Commerce and the Securities and Exchange Commission published their regular annual survey of businessmen's plans for capital expenditure on new plant and equipment. This shows that they intend to go on expanding and improving their facilities at a satisfactory rate even though many industrial plants have not been working to capacity lately. The Federal Reserve Board, or rather the University of Michigan Survey Research Centre on its behalf, found that consumers planned to go on buying houses, cars and other durable goods even though fewer of them than usual expected their incomes to go up, and more than usual expected their incomes to go down, during the year.

Neither businessmen nor consumers are planning to spend as much as they did in 1953, but both surveys show results very like 1952, the previous record year for both groups of spenders. The difference, of course, is that then spending was rising to 1953's high levels, while now it is falling and the plans, always subject to change in any case,



on new plant and equipment began to drop in the last are in a less encouraging psychological setting. Spending quarter of 1953 and the prospect is that it will go on falling throughout 1954. The decline in planned expenditure for these purposes is particularly marked in the durable goods industries, largely as a result of less spending for defence. The planned increase in commercial outlays is explained mainly by the spread of suburban shopping centres.

While most businessmen expect their sales in 1954 to be as good or better than in 1953, manufacturers of durable goods think that their total sales will decline by 8 per cent, which fits in with the plans of consumers. Just under 8 per cent of them expect to buy new cars this year, compared with over 9 per cent a year ago, 6.8 per cent to buy new houses compared with 8.8 per cent, 27 per cent to buy household equipment compared with 32 per cent in 1953. But many of these plans are based on an expectation of falling prices during the year. If this challenging expectation is not fulfilled, businessmen may find their sales disappointing, which in its turn might make them curtail their capital expenditure. Nevertheless both these surveys offer reassurance that the average American is not thinking the country into a depression and that no disastrous decline is coming in either private investment or spending or personal consumption; these two groups, with government expenditures, which are also to be maintained at a high level this year, are together the measure of the national prosperity.

No Change in New Mexico

SENATOR DENNIS CHAVEZ of New Mexico was confirmed in his seat this week by his Democratic colleagues, but his state remains indicted for the most flagrant disregard of the elementary rights of voters. An investigating committee, which has been at work almost ever since Mr Chavi-

won by a narrow 5,000 votes in November, 1952, over his Republican opponent, Mr Hurley, found so many irregularities and malpractices that it concluded that it was "impossible to distinguish the free and honest vote."

Over 55,000 voters had been deprived of the secret ballot; in many precincts there were no voting booths. Some ballots had been fraudulently altered, others had been prematurely destroyed. There had been intimidation of the large Spanish-speaking population and a number of aliens had been allowed to vote. These were the findings of the Republican majority, but there is no reason to believe that New Mexico's election machinery is any less black than it is painted. On the other hand, this is probably nothing new in the state; the new factor is the anxiety of the Republicans to secure a forty-eighth Senator. It will be interesting to see whether the state cleans house before next November.

Mr Chavez owes his own escape partly to the fact that no charges of fraud were made against him personally, and even more to the existence of a Democratic majority in the Senate. The Republicans, who possess only 47 Senators to the Democrats' 48, owe their technical control to the vote of Senator Morse, an independent, but on an issue of this kind Mr Morse had no compunction at voting against the party he walked out of nearly two years ago. He was joined by five of his former colleagues. The Republicans would have been delighted to unseat Mr Chavez, for the Republican Governor of New Mexico has the power to fill any vacancy, and one more Republican Senator would bring actual, as well as nominal, control. But this the Democrats were determined to prevent by bringing the issue to a vote at once, instead of allowing it to drag on, as the Republicans would have liked, until after the elections in which it is conceivable that the Republicans may increase their strength.

Surplus Headaches

THE borrowing authority of the Commodity Credit Corporation, which supports farm prices by loans on crops and outright purchases, has now been increased from \$6.75 billion—virtually all of which is tied up in support operations—to \$8.5 billion. The Department of Agriculture hopes that this will prove sufficient to carry out this year's loan programme, but its optimism is tempered by the apparent determination of farmers to produce almost as much this year as they did in 1953, despite the heavy cuts ordered for wheat, cotton, and maize. Only a drought, it seems, can prevent the further swelling of the surplus problem.

The Administration's farm programme relies, for a solution, on the reduction of price supports at home, coupled with an intensive drive to dispose of present surpluses abroad, either through sales—the dispatch of agricultural marketing missions is apparently imminent—through gifts, or through barter agreements, if only the appearance of dumping can be avoided. Since the end of January over \$10 million worth of agricultural commodities have been exchanged, chiefly for fertiliser needed in Korea, and there is much hope of the scheme, which has already been given a trial run, for selling surpluses for foreign currencies which in turn are used to pay for the production of arms needed

by allied nations. The Administration is asking for power to use \$2.5 billion of its surpluses in these ways and to relieve want abroad.

Congress is a trifle suspicious of this vast grant of authority, but its real rebellion is against the Administration's flexible price support proposals, which are designed to discourage the farmer from producing more than the market can absorb. Farm Senators of both parties are trying to attach to the Administration's wool bill a rider which would continue the present high rigid support system for another two years. It remains to be seen whether the President, under political pressure, will stand as firm as his Secretary of Agriculture, who insists that, whatever the political cost, any move to extend the present surplus-creating system must be vetoed.

Meanwhile, Mr Benson is on the verge of an experiment to see how far lower prices can tempt Americans to consume their own surpluses. He can vary the supports for dairy products at his own discretion, and on April 1st the price of new butter to the consumer is to fall by 8 cents a pound. In addition, traders will be offered butter from the government's \$200 million store at cut-rate prices. If the combined reduction is enough, Americans may once more have butter, instead of margarine, on their bread.

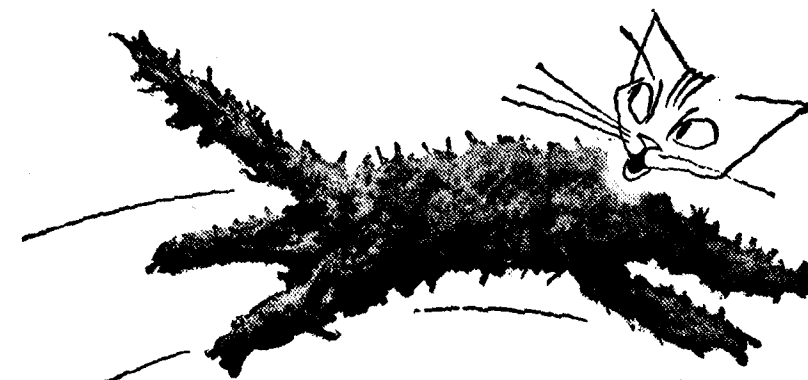
SHORTER NOTES

THE defeat, by 210 votes to 204, in the House of Representatives of the Democratic attempt to raise the amount of personal income exempt from taxation was an outstanding victory for the President, but it does not end the fight over this highly political amendment to the tax reform bill. The battle will be continued in the Senate where the proposal was first put forward by Senator George.

For the first time in 19 years the prime rate on business loans has been reduced by the banks, to 3 per cent from the 3½ per cent to which it was raised nearly a year ago. This reduction is in keeping with the general easing in money rates and reflects the plentiful supply of funds available to borrowers. The seasonal decline in the demand for loans has been much greater this year than last.

With the surprise sale of Colonel McCormick's Washington *Times-Herald* to the liberal *Washington Post*, members of Congress will no longer be able to read the views of the Republican nationalists with their breakfasts—or with any other meal, since neither of the two evening papers in the capital takes an extremist point of view. The amalgamation of the two morning papers meant the immediate disappearance of the *Times-Herald*, except for its masthead. It had been losing money and the *Post* is understood to have paid about \$8.5 million for it.

Mr George F. Kennan, late of the State Department, who had considered running for Congress as a Democrat from a Pennsylvania district, withdrew when he found there were rival candidates for the Democratic nomination. He felt that his personal commitments, to give lectures and write a book, would not leave him time to fight in a primary election but only in the main campaign next autumn.



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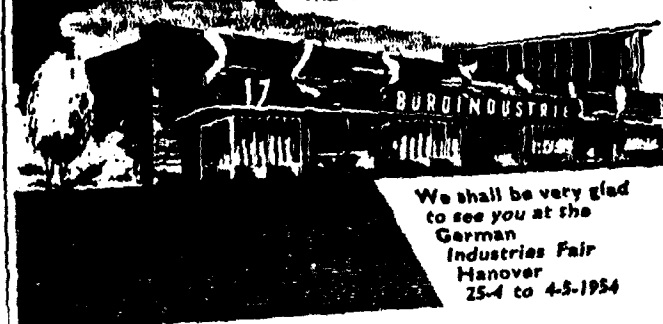
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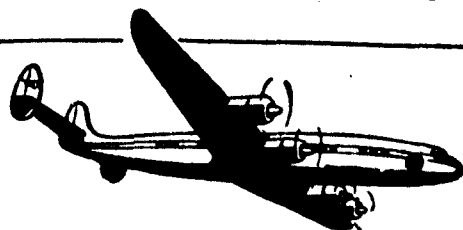
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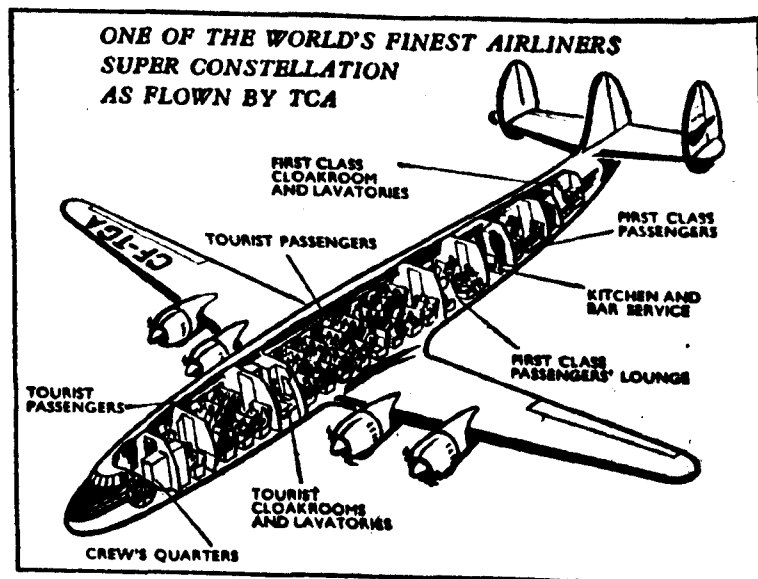
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The World Overseas

Pakistan Puzzle

FROM A CORRESPONDENT

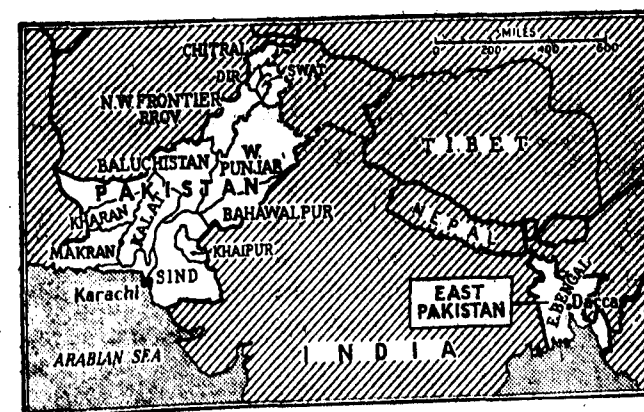
WHATEVER political deductions may be drawn from the East Pakistan provincial elections, they have shown that two time-honoured assumptions concerning the use of the ballot box in South Asia require reconsideration. The rout of the Moslem League suggests that whether the party in power does (as is often alleged) or does not use the administrative machinery of government to promote its electoral prospects, it is no guarantee of success at the polls. No kind of duress can have been employed by a governing party which has been as ignominiously defeated as the Moslem League. Secondly, it can no longer be said with confidence that personalities count for more than programmes in electioneering—at least in one corner of South Asia. If they had, the League should have made a much better showing, for almost the entire Karachi Cabinet took a hand in the East Bengal campaign, not to mention such formidable lay figures as Miss Fatima Jinnah, sister of the revered Qaid-i-Azam.

It might, indeed, have been better if the strong men of Karachi had been less in evidence, for their intervention did not always lead to the desired results, as Khan Abdul Quayum Khan—Industries and Food Minister at the Centre and, in his own right, the leading personality in the politics of the North-West Frontier—discovered at one memorable meeting. The fact that the Prime Minister of Pakistan is a native of East Pakistan, and that the Karachi cabinet as a whole is heavily weighted in favour of the Province, failed to compensate the League for the lack of effective local leadership. Nurul Amin, provincial Chief Minister and head of the League organisation in East Pakistan, was defeated in his home town by a teenage student leader who secured a majority of over 6,000 votes in a poll of just over 29,000 votes. Other ministers have suffered the same fate.

The electoral coalition which swept the former governing party from office consisted mainly of Moslem groups not belonging to the League, teaming up with Hindus, Communists and other left wing elements brought together under the familiar title of a "United Front." Their chief spokesmen throughout the contest have been two former Chief Ministers of undivided Bengal who were bitter rivals for power under the old regime. The octogenarian Maulvi A. K. Fazlul Huq, who has been a sort of Polonius in the politics of Bengal ever since anyone can remember, has never at any time belonged to the League. He declined the governorship of Sind a few months ago, and is a practising lawyer who in his eighty-fifth year is the leader of the bar at the Dacca High Court. The younger Shaheed

Suhrawady—member of a gifted family—was the last premier of undivided Bengal. He fell out of favour with the League, on the eve of partition, because he proposed that Bengal should remain united as a sovereign independent state. For a time he stayed on in India and, working with Gandhi at Noakhali, did much to protect minorities. Later he established himself in Pakistan where he has been a severe critic of the League government's failings. He was leading defence counsel in the Rawalpindi conspiracy case.

Neither Huq nor Suhrawady have the slightest affinity with Karachi; both have many Indian friends and strong ties with Calcutta, and indeed have maintained regular touch with their former home. This does not mean that either



would wish to see East and West Bengal reunited, nor would the millions of Moslem electors who have supported them at the polls. But both stand for a much looser type of federation between East and West Pakistan than has hitherto been contemplated by the dilatory Constituent Assembly in Karachi, and they insist upon the recognition of Bengali as one of the State languages. Both demands carry the support of the 9 million Hindus who are the largest and financially most significant minority among East Pakistan's 42 million inhabitants. Fazlul Huq has stated his terms for co-operation with the Centre as follows: Bengali and Urdu to enjoy equal rights as state languages; East Pakistan to be autonomous in all matters except defence, foreign affairs and currency; the election of a new constituent assembly and the drafting of a fresh constitution recognising East Pakistan's autonomy. Meanwhile, the provincial Assembly has been dissolved and "Governor's rule" proclaimed throughout East Pakistan.

has not done. India is deeply distressed and disturbed about the threat to its safety which it sees in American military aid to Pakistan. Demands for more arms, for the refusal of all foreign aid however unmartial, more self-sufficiency in arms, fewer foreign technicians and wider public training in defence have come from reasonable men and responsible newspapers. But the Prime Minister and the Finance Minister have stood firm on the view that India's true strength lies in a better life for its people. They will encourage rifle clubs; they already had plans for an electronic factory costing £7.75 million. But that is all. Defence expenditure has gone up by a mere £10.25 million and, far from refusing foreign aid, the Finance Minister has included £36 million of it in his budget estimates. The government is prepared to take more risks than just inflation in order to raise the standard of life of its people.

Still Making Holland

A YEAR ago last February, when flood waters broke through the sea defences and engulfed 350,000 acres of land, the Dutch government appointed an expert committee to report on an ambitious project of sealing off the four large estuaries of Zeeland. Last week the Maris committee came out strongly in favour of the plan. The news has been widely welcomed in the Netherlands, and a Bill giving effect to the proposals is expected shortly.

The task confronting the committee was to choose between one of two proposals: the one to heighten and strengthen the existing dykes so as to afford adequate protection; the other to close in the sea arms. The decision to support the latter, though it is the more ambitious project, was taken after carefully weighing the relevant factors. For instance, it was estimated that the initial cost of the bigger scheme, though expected to reach £,500 to 2,000 million guilders (£150-£200 million), would not be much greater than putting the existing sea defences into order, and subsequent maintenance costs would be less. Another consideration was the loss of farming land which would result from the widening of the dykes, whereas to seal off the estuaries would actually increase the area of cultivation, although this was not the prime object of the scheme. Furthermore, the building of a complete new line of forward sea walls means in effect that the coast will be protected by a double line of defences.

The construction of the new project is expected to take up to 25 years. Four major barrages of a combined length of about 20 miles will be built, and many tricky technical problems are anticipated. As the result of recent experience in repairing gaps torn by last year's floods in the sea defences, new techniques have been developed which, it is hoped, will ease construction problems.

Among the many benefits expected from the scheme—in addition to the greater security provided for the six million inhabitants who live on land which is below sea-level—is a solution to the growing problem of the salting-up of agricultural land. Every year some 80,000 acres of farm land is impoverished by salinity. Some authorities guess that, by sealing off the sea and creating inland freshwater lakes, the effective gain of land might be as much as 15 per cent. It is said that, while God made the world, the

Dutch themselves made Holland; and it seems that their creation is to continue.

One factor which the committee had to keep in mind was the possible adverse effect on shipping, particularly the ocean vessels using the Western Schelde up to Antwerp. Treaty rights protect Belgium's access to the sea, and consequently the Maris plan does not extend to this estuary of the Schelde. But shipping which goes by the



roundabout route to the Rhine through the estuaries will gain, because the present hazardous route made dangerous by tidal waters will be safer.

In fact, the only disadvantage of this imaginative proposal is the effect on Zeeland's oyster beds and the mussel industry, which earn together 9 million guilders annually. Closing off the sea must inevitably mean the extinction of this industry, unless it can be shifted to a new site. But this is a comparatively small price to pay for the greater security and the many other advantages of the plan.

Blueprint for Singapore

FROM A CORRESPONDENT

SINGAPORE has followed closely behind the Federation of Malaya in producing recommendations for the revision of the constitution of the colony. The committee under the chairmanship of Sir George Rendel have vied with the Federation in publishing a concise, clearly worded and sensibly balanced document. Local comment has so far been almost non-existent. The blaze of headlines following its publication has left little in its trail but remarks by those who are disappointed on one minor point or another. It seems as though the boldness of the step forward has taken even the vocal minority by surprise.

If the proposals are accepted, the future government of Singapore is to become a miniature House of Commons. There will be a Legislative Assembly numbering thirty-two, of which twenty-five will be elected by popular vote. Party government is advocated, with the leader of the majority party becoming the Leader of the House. The Council of Ministers, or Cabinet, will contain nine ministries of which

six will be held by elected members. It will be government on the principle of collective ministerial responsibility.

As the report itself admits, the proposed constitution appears at first sight to be top heavy for so small a territory; there are many generals in a tiny army. It is impossible to predict how the parties will line up, but thirteen elected members would give a majority. In such a case six ministers and one junior minister for finance would absorb more than half the side.

It is admitted that the system of voluntary registration of electors has proved a failure and automatic registration is to take its place. This does not, of course, mean that there will necessarily be more actual voters than in the past. But unless the number of voters does substantially increase, the process of election will become a façade rather than a reality. It may become a farce, in which case it will be a dangerous farce. The responsible nominated elements in the present government will be replaced by members who have become representative by default. The whole standing and prestige of the Council of Ministers and of the government itself will depend on the common man making use of his new found "freedom"; so far there is no evidence that he will.

No Imported Aldermen

The present potential electorate is put at 300,000. Of these so far only 70,000 have registered as voters, and only a moderate proportion of these have bothered to vote. It is possible that with the new constitution in view this apathy will be progressively overcome. The average constituency will number only 12,500 voters, and, unless the number of votes cast is stepped up, it may be that two or three candidates will share two thousand votes or so. Voting qualification is simple; residential qualification is required but with no stated residential period. Voters should not acknowledge allegiance to any foreign power nor should they hold foreign passports.

Local government will be conducted by a new city and island council consisting of twenty-four elected councillors who in turn will elect eight aldermen. Thus at the outset it will call for no less than sixty-four responsible persons to occupy the seats on this body and in the Assembly. Taking into account the candidates who will be defeated in the elections, this will make a heavy demand on those capable and willing to accept these seats. Throughout these proposals it would seem that, in regard to both voters and candidates, the availability will be tightly stretched. The qualifications for candidates include a residential qualification of seven years out of the last ten. Whilst this is a wise precaution to check the import of budding politicians, it narrows down still further the supply of suitable candidates.

All in all the commission have done a remarkable job; they have made the fullest possible use of the material at their disposal, but there is little margin for contingencies. If matters work out as they expect, or one should say, hope, the proposals could mark a very practical step forward and a bigger step than most people thought was possible. However, unless local apathy is overcome, unless the right type of candidate is elected, unless the good of the Colony comes before party and unless it is fully realised that not only the welfare schemes but also the very existence of the Colony depend on trade, we shall have exchanged the substance for the shadow.

Dr Adenauer Talks Finance

DR ADENAUER'S sight-seeing in Greece and Turkey has alternated with talks on economic affairs, as well as discussions on Western Germany's future role in defence. Both the Greeks and Turks would like to know whether Federal Germany is prepared to grant them long-term credits for financing their development projects, as it has been proved impossible to pay for capital equipment out of current Greek and Turkish exports.

A few months ago, a Greek mission was prematurely assured in Bonn that Krupps and other engineering firms were ready to supply DM 200 million worth of equipment on credit up to eight years. The ministries concerned were rebuked by the *Ausfuhr-Kredit A.G.*, which had not been consulted. This non-governmental finance corporation is only authorised to grant credits for four years, although the term is extended when exporters bear a further year. Since this episode, the Germans have been searching for some way to fulfil the Bonn engagement. One possibility is that a loan from the International Bank may be granted to the German Reconstruction Credit Corporation, which would then float a bond issue for long-term export financing. There are, however, many handicaps still in the way of this proposal, including the problem of fixing an interest rate that would be high enough for investors and still low enough for the exporters to bear.

In Ankara, the German visitors will have discussed difficulties which are familiar to British exporters. German firms are owed over £150 million, which cannot be transferred owing to Turkey's foreign exchange shortage. In the European Payments Union, Turkey has what seems to be a chronic deficit, as is to be expected from a country that has a different trade structure from the highly developed members of the union. Attempts by the authorities on both sides to sell more Turkish wheat to Germany have not been very successful, first because the Turkish price was too high, and latterly because of lack of port loading facilities.

Various suggestions for making a new start are being mooted. One is that Turkey should leave the EPU and revert to bilateral trade with Germany; but German government policy is to abolish existing bilateral agreements and not to make new ones. Many German exporters simply propose that Turkey's debts should be turned into a German State loan to Ankara. Yet another idea, according to the *Handelsblatt*, is that, by a triangular arrangement, the International Bank should enable German exporters to be paid. The *Bank deutscher Laender*, it is suggested, might pay the Turks' German creditors DM 100 million, which is the sum that Germany is due to pay into the World Bank; and that institution could then lay claim to the equivalent in Turkish pounds that has been deposited in Turkish banks for payment to German firms, but which cannot be transferred. The Bank would not take over this sum, but lend it to Turkey. Unfortunately for this ingenious idea, the Turks have taken offence at the Bank's alleged interference in Turkish economic affairs, and the Bank's mission in Ankara has just been closed. It will be surprising if Dr Adenauer, who is no Dr Schacht, has evolved any solution for this problem, desirable though it is to strengthen the Turkish rampart in Europe's and Asia's defences.

Coal Prices and Cartels

THE High Authority is about to begin in earnest the task of really freeing the coal market of the six-nation coal-steel community. When the common market for coal opened in February of last year, a number of restrictions were swept away—tariffs, import and export quotas, and the most flagrant discrimination in transport charges between the member countries. But a host of obstacles to a genuinely free flow of trade in coal still remain. Maximum prices are still fixed, although by the High Authority and no longer by individual governments. Subsidies and rebate systems still flourish throughout the community, and above all there remains a web of purchasing and marketing organisations which dominate the coal trade—bodies like “GEORG” in Western Germany, “Cobechar” in Belgium and the French “ATIC.”

If the High Authority were to lift the maximum prices it fixed a year ago and set free the price of coal, it would, as matters now stand, simply be handing over the job of price control to the private purchasing and marketing agencies. It has therefore chosen to open talks about the future of these monopolistic bodies with governments, trade unions and producers. While awaiting the outcome of its talks, the High Authority has again fixed maximum prices, but only for the most vital categories, such as coke and coking coal, and only in the most vital coal producing areas—the Ruhr, Nord and Pas de Calais. These areas are the pace setters where price is concerned, and other regions can be expected to follow suit.

For the French mines, the Authority has fixed prices at more or less the same level as last year, since the nationalised French coal mines, the *Charbonnages de France*, are still running a total annual deficit of some £22 million. In the Ruhr, however, the High Authority has ruled that the maximum price for coal should be reduced by DM2 per ton. The authorities at Luxemburg reason that since on April 1st the German coal industry must stop the practice of granting discriminatory rebates to certain German consumers—fishing vessels and railways—it ought to apply the money so saved to a general price reduction.

“Not a Pfennig off the Coal”

This decision is highly popular with the bulk of German industrial consumers, who have not been subsidised, and with such major importers of German coal as France. Hitherto the French government has subsidised imported coal and coke at something like an annual rate of £16 million, but partly as the result of the forthcoming cut in German prices, this subsidy is expected to fall to £8 million by the end of 1954. On the face of it, there seems no logical reason why the price of Ruhr coal should not be lowered; it still costs DM10 per ton more than American coal delivered at Hamburg, and domestic stocks are mounting. However, the Authority's decision has been greeted with indignation by the Ruhr coal industry itself, which contends, just as the German steel industry did last year, that every pfennig is needed for investment purposes.

The problem of cartels is likely to prove even more contentious. Ideally, the High Authority would no doubt like to remove, at one stroke, the monopolistic bodies that

now control the coal market, not only because the Treaty expressly forbids them, but also because without exception their custom is to align prices on those of the high-cost producer—a practice that defeats the low-price policy laid down in the Treaty. Unfortunately these domestic cartels are the device used everywhere in the community to protect the high-cost firms and to safeguard the jobs that go with them. The root problem is the inequality between mines, whether due to natural causes or inefficient management. To abolish cartels, without first framing some more rational and non-restrictive scheme for dealing with these disparities, would be to provoke the abrupt and “harmful shifts of production” that the Authority must avoid.

The Authority has not yet devised a precise, long-term policy for solving the problems that have given rise to domestic cartels. But it seems to officials at Luxemburg that the answer must lie first of all in stimulating higher productivity, and secondly in a gradual shift of production from the high-cost to the low-cost areas—a process that the Treaty calls “readaptation.”

Shifting Families and Furniture

Last week the High Authority set on foot its first practical experiment in readaptation, with a loan of £500,000 to the French government for the purpose of transferring 5,000 miners from pits in the Centre-Midi to Lorraine. The French government will contribute an equal sum, and the fund will be used to transport the men, their families and furniture and to provide them with a lump compensation of £200. The need for the shift has arisen partly because the electrification of the Rhone valley has reduced the demand for coal in this region, and partly because productivity in the old mines of south-central France compares very unfavourably with that in the new mines of Lorraine. Although the original intention of the French government was to finance the reorganisation itself as part of the modernisation programme, it has received help from Luxemburg on the ground that the common market has hastened the need for action. The scheme is entirely voluntary; but the non-Communist trade unions, with whom the High Authority has collaborated closely, believe that the higher wages to be earned in Lorraine plus the better working conditions will act as sufficient inducement to lure redundant miners from the south.

Probably the key to the success of this enlightened move is the provision of housing. French labour has been immobilised even more effectively than British labour by the scarcity of proper dwellings in the regions where the demand for labour is greatest. French labour has remained congealed in high-cost areas, and the products of high-cost units have tended to determine the general level of prices. Indeed, only when dwellings do become available will it be possible to attack uncompromisingly cartel practices and other forms of restriction in French industry. To help finance the Lorraine project, the French government asked the High Authority for a loan of £7 million. The meagre half-million pounds which has been offered will not go far, and presumably a housing programme of adequate dimensions must wait until the High Authority, in its turn, negotiates a loan from the United States. Obviously the High Authority will do its utmost to support the project, both morally and financially, for it is a test case. The principle of readaptation is the essence of the Schuman Plan.

“The Hill of Mullock”



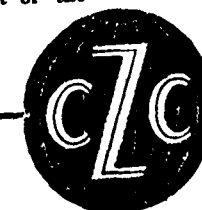
Early prospectors called Broken Hill the “Hill of Mullock”. Mullock means waste rock. That was what it seemed like to the men who had staked out their claims on its barren slopes. There were seven of them who had formed the “Broken Hill Mining Company”. They sank their shafts without return. They sank more shafts until their money ran out. Their dreams of riches remained unfulfilled. The Hill lay broken backed against the sky, symbol of the miners’ breaking hopes. In bitterness they realised that they must raise more money by creating new shares in their company, but the shares they issued were held to be of such small value that they changed hands on the turn of a card. By a twist of the cards of fate those shares soon afterwards were worth millions. Seeking in the waste of old diggings (“fossicking” in the Australian usage), a member of the syndicate named Rasp found a piece of ore rich in silver chlorides. That was in 1884. The hunt was on again, and a few months later another

member found an even richer piece, assaying 800 ounces of silver to the ton. Then the dreams came true. From all over Australia, men set out for the Hill to stake their claims to riches. They found them one hundred and fifty feet down the main shaft where the miners struck a lode of silver chlorides fifteen feet wide. Broken Hill was no longer mullock. From the first forty-eight tons of ore there came 35,000 ounces of silver. But other riches were there: soon, lead and zinc ores were mined and, during the next thirty years, the mining companies at Broken Hill became famous throughout the world. To smelt the lead concentrates, a smelter was built at Port Pirie in Australia. In the United Kingdom, a vital industry was created to process the zinc concentrates produced at Broken Hill. Now, at Avonmouth in the West of England, the largest zinc smelter in Europe produces the entire output of primary zinc of the United Kingdom as well as sulphuric acid and other related products.

Lead, Silver, Zinc

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

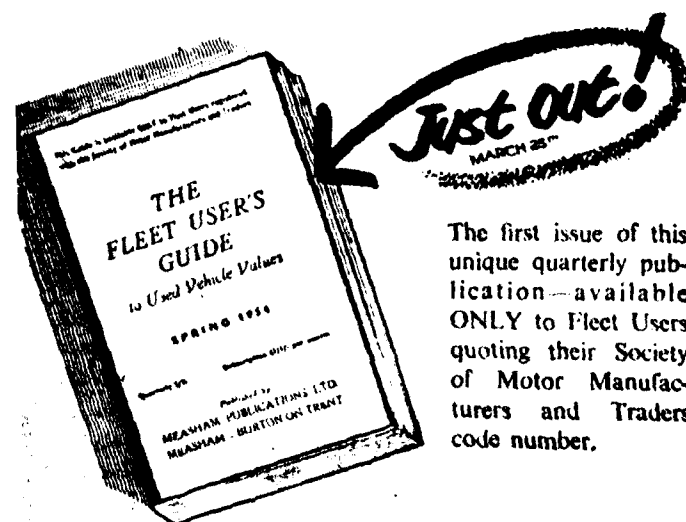
non-ferrous metal production of the Commonwealth. Their activities are the mining of lead, silver and zinc ore in the Broken Hill Mines of Australia and the production of zinc metal, sulphuric acid, fluorine chemicals and zinc pigments in the United Kingdom.



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AN ALL BRITISH ACHIEVEMENT

THE BUSINESS WORLD

Freer Gold and Sterling

THE steadily extending area of economic freedom has this week been pushed outwards at two more important points, leaving the realm of financial restriction in Britain appreciably smaller than it was and the scope for the international functioning of the London market appreciably wider. The first of these relaxations of financial control has permitted the re-establishment of a gold market in London, after a closure lasting over fourteen years. The second has achieved an almost world-wide extension of the area within which sterling can be automatically transferred.

These developments, it is important to emphasise, have not been put forward or justified as steps towards the convertibility of sterling into dollars. On the contrary, the Treasury announcement specifically pointed out that the reopening of the gold market "will afford no additional element of convertibility." But, despite this disclaimer, it is evident that both moves are strictly in line with the wider objectives of convertibility. They are further illustrations of the empirical or functional approach that Britain is now adopting towards these objectives. The risks of a plunge into dollar convertibility still look as great as ever; but in the meantime the British authorities are taking every possible step to promote the international usage of sterling, and its maximum convertibility into non-dollar currencies.

The new freedom, though welcome and significant, is therefore carefully circumscribed to ensure that it does not afford avenues through which additional strain might be put upon the sterling area's gold and dollar reserves. Dealings in the reopened gold market will not enjoy the complete freedom of prewar days. Nor will the widened transferability for sterling permit it to pass from a non-American to an American account. The gulf between the dollar group and the other currencies still yawns. But by unifying the status of sterling

held by non-dollar countries, this week's liberalisation makes the problem of ultimately throwing a bridge between the dollar and the non-dollar worlds look less intractable.

Both the synchronisation of these two developments and their actual timing were determined by the fact that gold had for some months past lost its premium in the world's free markets and that the various varieties of free sterling had come to be quoted within touching distance of the official parity. The disappearance of the gold premium ensured that gold would not be quoted in the reopened London market at any sterling price that appeared to show a depreciation of the pound in terms of gold; in the past, the possibility of such a semblance of depreciation had been widely regarded as a serious objection to any reopening of the London gold market. Similarly, the fact that most of the many varieties of sterling had appreciated so as to show only a narrow range of discounts on the official parity had substantially removed the danger that their unification might seriously depress the value of "free" sterling in overseas markets.

Judged in terms of the size of turnover likely to result from it, the reopening of the gold market is outstanding among the renewed freedoms in the commodity markets that have been reintroduced since the end of the war. The market that came to life again with the "fixing" of gold in the traditional setting of Rothschilds' offices last Monday had necessarily been closed at the outbreak of the war, when the Bank of England, acting for the Exchange Equalisation Account, became the sole buyer and seller of gold in the United Kingdom. But despite this closing, London continued to be the principal clearing house for gold transactions in the world; and in 1952 bullion firms in London were allowed by the Bank of England to act as agents for the sale of newly mined

Commonwealth gold to buyers outside the sterling area, against payment in United States dollars. In this way the London houses regained contact with the free gold markets of the world. Indeed, some of them had succeeded in keeping in contact throughout the postwar period, and had played a considerable part in the international traffic in "free" gold.

★

Such activities have proved to be a useful preparation for last Monday's reopening in London. The reopened market operates under the general supervision of the Bank of England, and dealings in gold are restricted to authorised dealers. These comprise the Bank of England, all banks authorised to transact foreign exchange business, and the four specialised bullion firms—Johnson Matthey & Co., Mocatta & Goldsmid, Pixley & Abell, and Sharps & Wilkins. The actual market in gold is made by these four specialist firms, together with N. M. Rothschild & Sons and Samuel Montagu & Company (both of them authorised banks and, therefore, authorised dealers in gold), whose representatives meet daily and fix the price of gold according to the play of supply and demand, as before the war.

Any person or institution, whether resident or non-resident in the sterling area, can sell gold in the market. But the only people who can buy are:

(a) those non-residents who can pay in American or Canadian sterling;

(b) non-residents who hold a new kind of sterling, known as "registered sterling," which can be acquired only against US or Canadian dollars or against gold by someone who resides outside the "American account" area and also outside the sterling area; and

(c) residents of the sterling area who receive special licences from the Bank of England and who will be allowed to buy gold for trade purposes to the same limited extent as they have hitherto been permitted to buy direct from the Bank of England under the Treasury Export Scheme.

The supply of gold reaching the market will mainly be newly-mined metal from the sterling area. The South African gold, for example, which used to be sold direct to the Bank of England under the "memorandum of agreement" regulating the exchange and gold sales arrangements between South Africa and the United Kingdom, will henceforth be sold through the market. Any resident of this country who acquires gold and who is called upon by the exchange regulations to surrender it to the authorities will fulfil his legal duty by selling it at the market price to an authorised dealer in gold, through whom it will be canalised to the market. Some dishoarded gold may also come to the London market, but the volume of such offerings is unlikely to be substantial at anything like the current market price. Some non-residents for whose account gold is held in this country might, however, decide to sell their

gold in order to establish a registered sterling account, confident in the knowledge that such sterling can be used later for the re-purchase of gold and will, meanwhile, be earning interest and not incurring the safe-keeping charges attaching to a deposit of gold.

Last Monday, when the market re-opened, the price was fixed at 248s. 6d. per fine ounce. The subsequent trend was towards lower prices and on Thursday morning the price was fixed at 248s. 3½d. These figures compare with the price of 248s. at which the Bank of England was previously prepared to buy gold offered to it, though it gave no unconditional undertaking to do so. The "mint" parity of gold, based on the sterling-dollar parity of \$2.80 to the £ and the U.S. price of \$35, and without allowing for transit costs, is 250s. per fine ounce. Another basic point is the shipping parity of 247s., this being the price at which it will pay to purchase gold in London, ship it to New York and sell it to the United States Treasury.

The shipping parity is the "floor" below which the sterling price of gold cannot fall so long as the US Treasury buys at the present official price and so long as the sterling dollar rate remains anchored to the present parity. The London market price could go higher than the mint parity; theoretically, indeed, there is no determinable ceiling to it since there are no monetary authorities in the world that are now prepared to sell gold at a fixed price and without restrictions as to destination or amounts. It is, however, difficult to conceive conditions in which the London price of gold would rise to a substantial premium on the mint parity, now that hoarding demand is at such a low ebb and now that the potential supplies, including those that may come from Soviet Russia, are known to be considerable. It is significant, however, that the British monetary authorities are prepared to allow the re-opening of a market in which the value of sterling in terms of gold can be measured day by day within a range of prices that is not directly limited. It prompts the intriguing question whether elasticity for the bullion market may not be the harbinger of similar elasticity in the foreign exchange market.

The other move towards freedom, which synchronised with the re-opening of the gold market, was a considerable extension of the multilateral transferability of sterling. The early history of British exchange control was an experiment in bilateralism, whereby sterling owned by residents of any country outside the sterling area was available only for payments to another resident of the same country or to a resident of the sterling area. In the postwar years this system has gradually been given a greater element of multilateral transferability by the setting up of the transferable account system, which until the beginning of this week extended to eighteen countries.

Before a country could become eligible for membership of the transferable account group it had to declare its readiness to accept sterling from any other transferable account country as well as from the sterling area

in settlement of current transactions. It also had to undertake not to transfer sterling to other transferable account countries except as the counterpart of *bona fide* commercial operations.

Non-resident sterling held by non-dollar countries other than these eighteen was still formally subject to the bilateral system. But the conditions imposed upon transferable account countries and the restraint of bilateralism upon the others tended to be honoured in the breach rather than in the observance. The writ of Britain's exchange control rules was bound to become largely ineffective because their application depended upon the action of these other countries, whose authorities were in many cases wholly opposed to the principles involved in the co-operation expected from them. The "fifty-seven" varieties of sterling had in fact become largely interchangeable; through well-established and active free markets overseas they were even readily convertible into dollars—at discounts that had recently become negligible. In addition, of course, the British authorities made many concessions by *ad hoc* permission for multilateral payments.

The changes that took effect last Monday incorporate in the transferable account area all non-sterling countries outside the American and Canadian account countries (with three minor and temporary exceptions, Hungary, Turkey and Persia). Moreover, all restrictions on the use of transferable account sterling have disappeared. Its use will no longer be confined to current transactions, but will be permissible for capital purposes as well. But, of course, it cannot be used to buy gold in London. One outcome will be that the designation of sterling accounts by reference to the country of the holder will disappear. There will no longer be French, Belgian, or Argentine accounts. They have all become merged into a single category "transferable accounts." Whereas in the past transferable accounts could be maintained only in the names of banks, now they can be kept by any individual or firm in the transferable account area.

The official barrier between transferable accounts on the one hand and American and Canadian accounts on the other is still, however, fully maintained—as it must be until the day of full convertibility of sterling into dollars. But these changes, apart from recognising the wider transferability of sterling that was already taking place by special sanction or by evasion, bring about a most welcome simplification in the administration of exchange control. It should help merchants, and particularly exporters from the sterling area. The status of sterling will be enhanced, and its use as an international currency should be further extended.

After this simplification of the exchange control, virtually all sterling arising from current transactions will conform to one of three basic types. There is, first, the sterling held by residents of the sterling area, which remains subject to the full rigours of exchange control. Secondly, there is American or Canadian account sterling, which is fully convertible at the rate of the day. The third category, the newly extended transferable sterling, virtually covers the rest of the world. There will be some special and less important categories. Under the heading of current sterling there will also be the new "registered" and convertible sterling already described in the explanation of the re-opened gold market. Finally, the new arrangements make no change in the blocked sterling accounts consisting of capital proceeds of legacies, matured bonds, and sales of securities by non-residents. The proceeds of such transactions continue to be immobilised; they are transferable only in the guise of "switch" or "security" sterling on the overseas markets. As, however, this type of sterling can now be exchanged into dollars at not more than 1½ per cent discount, this continuing distinction between current and capital sterling is more apparent than real. No one will dissent from the official comment on these developments in the gold and exchange markets—that "they mark a stage in the strengthening of London as an international finance centre and of sterling as an international currency."

Reading the Tea Leaves

THIS week the price of common tea at the London auctions has reached a new peak of 4s. 6½d. a lb, and a further increase in retail prices seems inevitable. There are cries that the government should reimpose controls and subsidies to protect the consumer against "unjustified" prices—and very different cries from Ceylon that the London trade is "combining to depress prices." The British public drinks almost half the world's tea and needs an extra cup to soothe its present confusion and suspicion. Why is tea so dear? Is this what a free market means? They forget that the weather can have a marked effect on production, and that the tea ration was sometimes cut.

As recently as 1952, a surplus of low grade tea depressed the market, until common tea was selling in London for as little as 1s. 6d. a lb, far below the cost of production and shipping. The market reached the trough when the sale of tea in Britain failed to rise after the end of rationing in October of that year. Retailers had stocked up in expectation of a rise in demand, and instead the wayward housewife lived off her private hoard. Not until the end of the year was there a recovery in sales, a rough balance of world supplies and demand, and the first recovery in prices.

Tea growers in North India, the largest producing region, agreed to restrict output in 1953 to try to avoid

a repetition of the previous year's disaster, when many companies were impoverished and some lost their entire working capital. Restriction by finer plucking was soon rendered unnecessary, however, by bad weather, and the scheme was gradually relaxed. As production in North India fell, tea prices rose almost without a break. There was a net gain of 15 million lb to 1,085 million lb in the total production of the four main exporting countries last year, but this was quite inadequate to match the rise in world demand.

Consumption in Britain is rising, partly because sugar is now freely available. America, the second largest consuming country, is also drinking more tea, for a good selling campaign has been helped by the high price of coffee. It is chiefly the strength of American demand that has pushed prices to new peaks in the last month or two. Australia and other Commonwealth countries, and Egypt, have been buying more tea; like the United States, they seem far less price conscious than British buyers. The rise in prices has been aggravated by the apparent need of many countries to build up stocks after a period of falling prices, and by the smaller stocks now carried by British blenders and dealers, who are not prepared to finance a stock of prewar size at postwar prices.

Any appreciable easing of tea prices seems unlikely in the next few months. Shipments from the North Indian crop are tailing off, and the new crop will not arrive in London in quantity until September. Until then the trade will have to make do from stock and from the smaller supplies arriving from Ceylon and other areas where tea is harvested all the year round. By the summer, however, prices may be under pressure.

Certainly, present prices will tempt the growers to harvest all the tea they can, even at some sacrifice of quality. Much will depend upon the weather, but North India will be unlucky if it suffers another bad season this year. Another uncertain factor is Russian buying. The new trade agreement between Russia and India does not include any fixed quantity of tea; Russia may buy 30 million lb and more or it may buy nothing.

The possibility of a continuing shortage of tea would be less if production in Indonesia, which now produces only half as much as before the war, were to recover, but this seems most unlikely. Nor are higher retail prices in Britain likely to have a major effect on consumption. People do not buy appreciably less tea when prices rise; they buy a cheaper quality instead.

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Greater long-term significance, so far as the price of tea is concerned, attaches to the rising trend of consumption in the producing countries themselves, and to their production costs. Consumption of tea in India alone is believed to have doubled in the last fifteen years until it has reached some 200 million lb a year. Cuts in Indian wages, following the decline in tea prices, have now been restored, and the gardens will be pressed for further wage increases and larger social benefits. It is estimated that the cost of producing and shipping common Indian teas to London, excluding capital charges, is now a little over 3s. a lb; the average cost for all Indian teas is probably about 3s. 6d. a lb. Production costs in Ceylon may be slightly lower. But though such costs will tend to set a high "floor" to tea prices, this does not imply that in the long run the net profits of the producing companies will necessarily be appreciably larger than formerly.

At the moment, however, tea producers are enjoying an undreamt-of prosperity, and it seems likely to last for some time. In theory, tea shares should be in strong demand at rising prices. In fact the market is stagnant after its rise and tea shares can change hands only in small amounts. Here lies their main weakness as an investment; the market is too narrow to take substantial quantities of shares on its books. Business tends therefore to be by negotiation, in which buying and selling orders can be closely matched.

The capital structure of

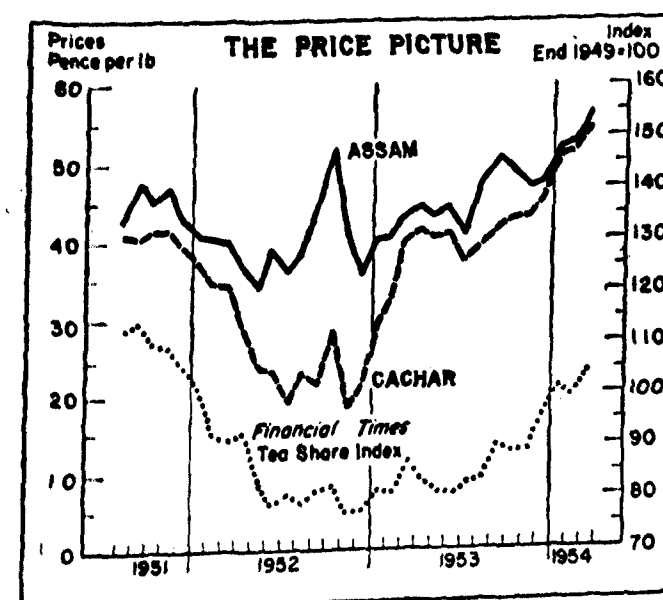
the industry also gives little help to the investor, for the number of companies is large and their individual capital as a rule is small. Their swing from prosperity to depression can be sudden; as one turns they all turn, causing buying or selling pressure over a long list of shares, few of which enjoy a free market. The investor in tea shares must be prepared, therefore, for low marketability, but he gains—in good years—a high yield. He has to understand that his risks are high—that a couple of bad years can wipe out the working capital even of big and prosperous companies, as the Nedem Tea Company (operating in the Dooars area of India) showed in 1951 and 1952 when it lost almost £590,000, leaving at the end of 1952 current liabilities of nearly £750,000. Yet this company's entire issued capital, ordinary and preference, is only £540,000. In the last twelve months

profits remitted suffer a 66½ exchange transfer tax and that the proceeds resulting from the sale of an estate may not be remittable at all. Most forms of political risk are at their lowest in Pakistan, but there the higher rupee exchange rate puts the tea producers at a competitive disadvantage against which they have so far battled successfully. In neither India nor Ceylon can risks be wholly absent, though the British-owned tea plantations have not yet been under severe political pressure. An export duty is imposed by both countries; at present it is 45 cents a lb. in Ceylon and 4 annas a lb. (equal to 25 Ceylon cents) in India.

★

The prior charges of the tea-producing companies will, in general, make little appeal to the sensible investor; if it is not equity capital which he is prepared to risk, he has no business in the tea market at all. This objection hardly applies to the convertible loan stocks which a few companies like Jorehaut and Jhanzie have in issue, for those stocks are potential equities, with the added attraction that they should earn their keep in hard times. There remains the possibility of taking a less direct interest in tea through one of the few companies which both grow and distribute it; of these, Brooke Bond and J. Lyons are the obvious examples.

The accompanying table lists a few shares of each tea district to illustrate the features which matter. A high yield per acre and a low capitalisation per acre are of the greatest importance in a rising market, for they imply that an increase of a penny per lb. will have a big effect on earnings. In a falling market a high liquid capital per acre is a tower of strength. The drawbacks of this form of investment remain substantial, but British risk capital has been willing to face them and to play a large part in development of tea—still the cheapest beverage. Even now, when the flow of that investment is reduced to a trickle, not a year passes without some British capital going out to finance the tea gardens.



a good proportion of those losses should have been recovered. In North India, tea is a seasonal crop and most balance sheets are drawn to December 31st, when the peak of crop financing is over. Hence balance sheets are apt to show a degree of liquidity which may give an unduly rosy impression.

The investor who is still prepared to take the plunge into the teapot must then consider the kind of risk he is prepared to take. Something will depend on the quality of tea produced by the company he selects. The marginal product is common tea from Cachar and Sylhet, and low-grown teas from South India and Ceylon. It is in that product that the steepest and widest price fluctuations occur. High grade Assam tea and high grown Ceylon tea always find a market. Oddly enough, the highest grade of all Indian teas—Darjeeling—suffers most of the disadvantages of the common teas because it happens to be a low-yielding crop expensively produced.

Then there is the political risk. It is at its worst in Indonesia, where investment in tea is little better than a currency gamble. Much remains obscure about Indonesia's new currency law, but it is certain at least that

THE SHARE PICTURE

Company	Last Accta.	Capital per acre		Earned for Equity %	Divi- dend %	Work's Capital per acre	Yield per acre lb	Id. per lb % on Equity	Share Price
		Ord.	Total						
Assam Area:									
Assam Co.	Dec. 52	88.1	88.1	4.9	4½	65.4	1,070	4.8	20/3
Eastern Assam ..	Dec. 52	53.1	53.1	35.1	25(b)	101.8	1,476	10.8	47/-
Dooars Area:									
Chulsa	Dec. 52	50.2	64.1	nil	nil**	44.2	887	7.2	29/-
Dooars	Dec. 52	40.0	49.2	nil	nil**	14.2	1,018	9.6	23/3
Darjeeling Area:									
Darjeeling Co. ...	Dec. 52	68.1	68.1	nil	nil	nil	499	3.0	11/6
Darjeeling Consol.	Dec. 52	26.7	47.0	nil	nil	13.3	380	5.9	18/-
Southern India:									
Travancore	Sept. 52	17.6	32.7	90.0	30%	30.9	920	22.2	75/8
Malayalam*	Mar. 53	44.5	44.5	26.6	10	31.1	{ 674½ 423½ }	{ 3.2½ 1.5½ }	29/6
Ceylon High:									
Nuwara Eliya ...	Dec. 52	141.7	141.7	29.9	17½	55.8	804	2.4	36/-
Ceylon Tea Plant.	Dec. 52	25.0	35.7	33.3	17½	14.4	{ 714½ 594½ }	{ 6.8½ 1.4½ }	51/6
Ceylon Lower:									
Imperial Ceylon ..	Dec. 52	48.7	48.7	28.7	12½	47.7	{ 765½ 463½ }	{ 5.0½ 0.7½ }	27/-
Lunuvu (Ceylon)	Dec. 52	57.1	57.1	17.3	10½	34.9	{ 771½ 378½ }	{ 4.1½ 0.7½ }	29/6
Panawatte	Dec. 52	42.6	42.6	40.1	12½	24.8	{ 654½ 491½ }	{ 0.5½ 3.4½ }	
Pakistan:									
Deundi (10/-) ...	Dec. 52	46.6	46.6	19.6	15	74.4	868	7.3	22/3
Baraooa (Sylhet)	Dec. 52	27.8	49.8	22.4	12½	38.0	675	9.1	28/-
General Spread:									
Cons. Tea & Lands	Nov. 52	33.2	72.0	nil	nil	2.2	862	8.9	31/3

* Tea and rubber, the rubber being sold at special prices to Indian Govt. † On tea. ‡ On rubber. § Int. 4%, 1953. || Int. 7½%, 1953. ¶ Int. 12½%, 1953. ** Int. 2½%, 1953. (b) 50 per cent share bonus announced this month.

ECONOMICAL INTELLIGENCE

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Business Notes

Sterling, Gold and Throgmorton Street

TO external and unfamiliar objects the Stock Exchange, which represents the sum of investors' transactions, presents a pragmatic attitude. A gold market was to be restarted, the first halting steps to reduce exchange controls were to be taken; therefore the "authorities" must be feeling sure of themselves; therefore a strong market should be justified. The first reaction from last week's announcement from the Bank of England was a rise in the gilt-edged market, a rise in the exchange value of the pound and a fall in the premium that British residents have to pay for the privilege of buying dollar securities. All these hasty conclusions have had to come under closer revision since. They may all have been wrong save one. Last week's actions were a sign of strength.

The initial rise in gilt-edged tailed off, as well it might, for there was nothing in the move towards freedom which required a fresh view of interest rates. After a quick slide back gilt-edged remained reassuringly steady. By Tuesday the London rate for the pound had improved to its best this year—\$2.81½. There is one substantial reason why that rate should improve. Holders of dollars have to buy sterling if they wish to buy gold in London. They cannot buy for that purpose the transferable variety. Nevertheless, the rate for transferable sterling in various continental centres weakened only slightly after the announcement, falling from \$2.78 1/16 to \$2.77, and it then recovered to \$2.77½. Confidence lies behind those movements, for a wide variety of inferior qualities of sterling has been amalgamated into transferable sterling. Confidence was also reflected in the improved rate in security sterling represented by a fall from 2 per cent to below 1½ per cent in the premium which British residents have to pay for the opportunity to buy dollar stocks. No change in the switching arrangements is involved; the Bank of England does not even recognise the existence of security sterling. But investors are convinced that the drive to freedom will go on.

Chemicals and Ceylon

TO domestic and familiar objects Stock Exchange reactions are quick and decisive. The investor, batting on a fundamentally sound wicket, has had two main offers before him this week—Imperial Chemical Industries' issue of £30 million 4½ per cent unsecured loan stock 1972-74 at par and the Ceylon Government's 4 per cent issue of £5 million 1973-75 stock at £97. Ceylon offered a public issue of a trustee stock; ICI made a private offer limited

to stockholders only—though this list is as long as any. Both were of the type which might be expected to appeal to pension funds.

The Ceylon issue did not disgrace itself; the yield of £4 ¼s. per cent was attractive; the sinking fund with the governor and deputy governor of the Bank of England as trustees was welcomed and although Ceylon is not a crown colony the yield had been rightly calculated as not much different from the crown colony basis. The issue was over-subscribed, larger applicants receiving 60 per cent of their requirements. The result of the ICI offer was not known when this issue of *The Economist* went to press but it was merely a question of how many times the £30 million offer had been over-subscribed and how great a problem allotments would present. Already it is being foreshadowed that when dealings start in the middle of next week the issue will prove to have been one of the great successes of capital issue history. The stags will certainly be sellers but a premium of at least one and perhaps two points may be expected.

Freer Marks and Guilders

HARD on the heels of the announcement of the extension of sterling transferability last week-end comes news of two important measures of exchange liberalisation taken on the Continent. Germany has granted holders of current mark balances a measure of multilateral transferability closely resembling that now enjoyed by holders of current sterling balances; and the Netherlands, which has for some time permitted foreign residents to convert guilders into any non-dollar currency, has made substantial relaxations in its controls on exports of capital.

The German action of granting automatic mark transferability outside the dollar area comes as no surprise; the Bank Deutscher Laender had announced proposals to this effect already some weeks ago. The measure follows naturally from the steadily increasing degree of transferability that the German authorities have recently granted to holders of bilateral accounts; but this particular relaxation is especially significant as non-residents are for the first time permitted to pay their mark earnings—receipts of interest and other "invisible" items, as well as those from both sales of goods—into free accounts that can be automatically exchanged into any other non-dollar currency (and in the case of North American residents into dollars as well). Previously, all mark earnings had to be paid into blocked accounts that were convertible only at the discretion of the Bank Deutscher Laender. The move from

administrative to automatic transferability has thus in effect been made at one sweep.

The easing in the control of exports of capital announced by the Netherlands is especially welcome as the country had already abolished all exchange controls on current non-dollar payments. The concessions now announced permit residents of countries participating in the European Payments Union to transfer the proceeds of sales of property or securities held in the Netherlands. These proceeds had previously to be reinvested within the country. In addition, all non-residents may now buy foreign as well as Dutch securities on the Amsterdam stock exchange. And, finally, residents of the United States, Canada or Switzerland may now withdraw freely from the Netherlands securities issued in either guilders or foreign currency.

The Netherlands Bank has taken these measures primarily in an attempt to check the growing Dutch surplus with the EPU—which by the beginning of March was within \$16 million of the limit of the Dutch quota of \$355 million. As a further step to this end, the Dutch authorities are henceforward to permit new capital investment in Holland only when it is effected in dollars or Swiss francs. The Dutch Government is thus wisely seeking to avoid being forced into the position now occupied by Germany of acting as Europe's fairy godmother by virtue of potentially unlimited credit extension through EPU. The amount of credit granted by Germany through the Union has now topped \$500 million. The German authorities could learn some important lessons from the recent Dutch moves that might succeed in checking the growth of a surplus that is the main stumbling-block in the present negotiations on the future of EPU. It is the failure to reach agreement in these negotiations that has been holding up the overdue meeting of the Ministerial Council of the OEEC.

Towards Freedom in South Africa

FROM a market angle the South African budget was a stimulant; gold shares and South African industrials rallied—industrials for the obvious reason that the 6d. in the £ compulsory savings rally is to be abandoned, gold shares in spite of the fact that they receive no direct assistance from the budget. The upward move in gold shares may still be reasonable. It is inherent in Mr Havenga's budget that inflationary pressures in South Africa have now been eased and that in his view something like a stable basis for the economy has been reached. He also foreshadowed that import controls would be abolished in "the not too distant future." And he reported his expectation of an improvement of £100 million a year in South Africa's balance of payments. Such an improvement would have to come largely from the product of the gold and uranium mines.

The gold mines obtain no tax relief this year because they were specifically exempted from the special levy of last year which is now abolished. But the whole emphasis of the budget is now on incentives to savings and output. A year ago it was on the peril of inflation. That does not mean that the investor's path in gold is now free of pitfalls. The news from Freddie's North and Freddie's South this week clearly

shows that teething troubles among the developing gold mines of the Orange Free State have not yet all been overcome. Market rumours of an impending adverse statement brought the price of Freddie's North down from 10s. 3d. to 7s. 9d. and of Freddie's South from 9s. 1½d. early in the week. On Monday night the fears were confirmed. These two companies, both of the Johannesburg Consolidated group, are finding it necessary to merge and to seek fresh capital. They are evidently obliged to look outside the "Johnnies" group for part of that capital. It is disclosed that discussions are proceeding with Anglo American Corporation of South Africa, De Beers Investment Trust, and Anglo Transvaal Consolidated Investment Trust. The discussions may involve the funding of the existing short-term loans of £3½ million for each of the two companies into shares. This was fully as bad news as the market had expected. Both shares fell further to 7s. on Thursday morning.

Synthetic—But Not Rubber

THE Colonial Secretary went to some pains on Wednesday night to allay the rubber growers' suspicion that a synthetic rubber industry might be established with government assistance in this country. The Board of Trade might not see eye to eye with Mr Lyttelton's description of "the bastard synthetic rubber which . . . like many evils . . . has come to stay," or that Government sponsorship would be considered "in the background of our imperial interests and of our imperial obligations to countries like Malaya," but it is for the time being true that the rubber industry has nothing to fear.

The "rubber-like polymers" that will come out of the three new plants announced last week by Imperial Chemical Industries, Dunlop and Monsanto Chemicals which caused a flurry of alarm in the rubber industry will be synthetic but not rubber in the ordinary meaning of the term. The bulk synthetics produced in the United States are in direct competition with natural rubber, these new polymers are not. They are made out of the same two chemicals, butadiene and styrene, as synthetic rubber, but the chemical industry classifies them as plastics; and their applications are much more specialised. A high proportion of the output of the new plants is expected to go into a leather-like material for shoe soles that should wear as long as the shoe itself. This is extensively used in the United States, but it is quite distinct from the synthetic rubber soles already being used here on "rubber" soled shoes and boots. The polymers also give a flexible substance (like rubber) that is oil resisting (which rubber is not) for which there is a wide demand in engineering. They can be made into strong and flexible glues, into reinforcing resins, paint additives, and surface coatings for paper and textiles.

★

ICI intends to produce about 10,000 tons of these polymers, which for chemicals of this kind represents a very sizeable rate of output and suggests that the company must have a number of new applications in mind. Monsanto will produce 4,000 tons, and Dunlop only 2,000, most of it

probably for the company's own use as a reinforcing agent. These last two plants are expected to cost £500,000 apiece; ICI's investment is a great deal bigger, and a figure of as high as £7 million has been suggested. These plans are directly related to a further announcement, made by Forth Chemicals later in the week, of plans to double the company's styrene-producing capacity. The two basic materials for the new polymers, styrene and butadiene, are both petroleum chemicals stemming from the gases released during the catalytic cracking of crude oil. Forth Chemicals, which is owned jointly by Monsanto and the Distillers-Anglo-Iranian subsidiary, British Petroleum Chemicals, is the only producer of styrene in the country, and almost all its estimated 8,000 tons capacity has been earmarked for use by Monsanto to make the plastic, polystyrene. This capacity is now to be doubled. ICI is the only source in this country of butadiene, but it can be imported from the Continent, and possibly also from the United States. It would appear that Forth Chemicals, or rather Monsanto, is providing the necessary styrene, and ICI the butadiene, for the three new plants.

This shortage of basic materials lies behind the continued postponement of schemes for a bulk synthetic rubber industry in this country. Dunlop has frequently flirted with the idea, and already imports quite substantial tonnages of one type, butyl rubber, for inner tubes. But so far, every company that owns a cat cracker—ICI as well as the oil companies—prefers to work up the gases and their intermediate products into the more profitable end products for which there is still a big market, rather than to sell them less advantageously as raw materials for a synthetic rubber industry.

Slow Sales of State Lorries

THREE-QUARTERS of the State-owned lorries offered in "transport units" without premises at the third sale held by the Road Haulage Disposals Board have been sold, and a decision remains to be taken upon a few more. These are the latest results available from the disposals board and the British Transport Commission, which last week remarked that the proportion of acceptable bids for "vehicles only" units was considerably better than in the first two sales. Only 81 units, comprising 258 vehicles, remained unsold because no acceptable bids were received, though there were no bids whatever for 13 units totalling 63 vehicles. Prospective road haulage operators, it would appear, have now begun to pitch their bids more in line with what the board and commission consider realistic, the first two sales having made it evident that these are not knockdown "Government surplus" auctions. But it was also stated last week that the sales of transport units with premises at this third sale were still "very unsatisfactory"; no bids at all were received for 63 of the 180 units offered.

So far, the disposals board has offered 1,664 transport units, comprising 10,048 vehicles; it has sold about half the units, but these have included fewer than a third of the 7,500-odd vehicles upon which decisions have been announced. The board holds that there are so few prospective buyers for transport units including premises that it

would not be worth while offering these again at supplementary sales, as some of the "vehicles-only" units will be offered. There might, however, be a demand for some of the vehicles concerned if these were offered in units without premises; premises might be sold by private treaty. The board is expected to offer a fourth list of units during the next few weeks; later sales will include a large proportion

	Units	Vehicles
Offered in first three sales:		
Without premises	1,142	7,121
Without	522	2,927
Total	1,664	10,048
Highest tender accepted	813	2,192
All tenders rejected	582	4,565
No bids received	70	682
Withdrawn	2	2
No decision announced	197	2,607

of very small transport units, including some units and vehicles, not necessarily arranged as before, that were left unsold in the first three sales. The task of selling some 30,000 vehicles to haulage operators and bringing into being an effective privately-owned road haulage system, however, is still hardly begun.

Atomic Estimates

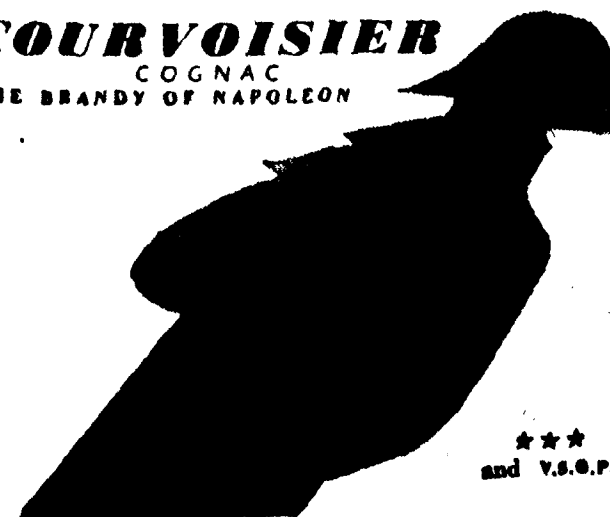
THE expenditure of the Department of Atomic Energy is, for the first time, shown in some detail in the 1954-1955 Civil Estimates. Excluding the expenses of weapons production and research, the department expects to spend a total of £53,675,000 during the coming year—which may be compared with £46½ million in the current year. It seems clear from the estimates that this represents only certain administrative and other costs of the establishments, capital outlay on plants and buildings, and such items as a £5 million loan for the production of uranium. The department employs nearly 19,000 people, industrial and non-industrial, and its wage bill amounts to £11.7 million. Other current expenses are impossible to calculate, for the stores, materials, and services for the establishments are given as "net of receipts not disclosed for security reasons," that is, of payments from the Ministry of Supply for weapons and military research. The net figure of £4 million pertains to civil research and development into atomic energy that the department will undertake during the year. To this must be added another £6.2 million for other current expenses including £3.3 million for electricity and water (which the atom plants consume in prodigious quantities), and £1.8 million for work done on the department's behalf by industry and the universities.

The most interesting figures are those for capital construction. The department will spend a total of £14.4 million on land and building work during the year, and a further £13.1 million on plant. Of the building, £12.4 million will be spent on work already in hand, but projects estimated to cost £17.7 million will be begun during the year, most of it accounted for by the £15 million breeder reactor at Dounray.



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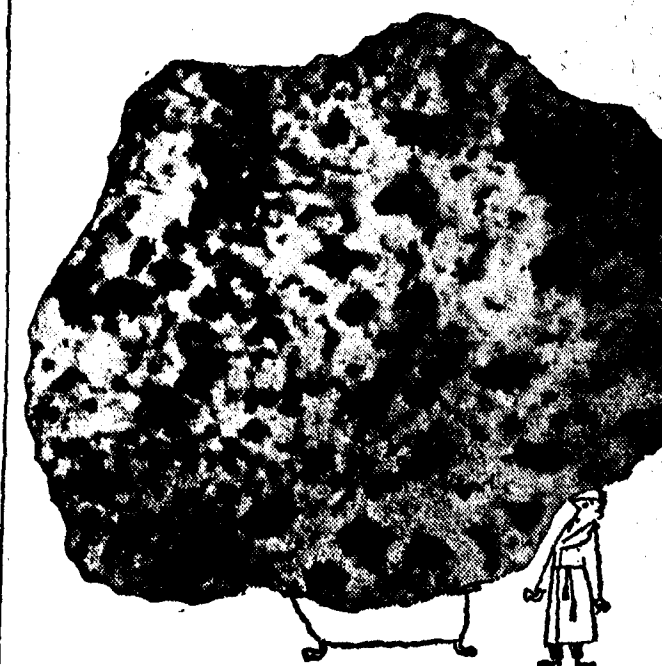
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Ford Pays More

LAST year the Ford Motor Company tightened its grip on the car market, gaining handsomely on its British rivals. It now commands about a quarter of the market, compared with a probable figure of slightly less than 50 per cent for British Motor Corporation. The value of its sales rose from £84 million to £106 million; it sold 234,379 vehicles and tractors, compared with 164,760 in 1952, when production was disturbed by strikes and the laying down of new assembly lines. The 42 per cent increase far exceeds the 16 per cent rise in the volume of production reported by the industry as a whole.

The expansion in profits is equally impressive. But a direct comparison between 1952 and 1953 is of little value because earnings for 1953 include the unspecified profits accruing to Briggs Motor Bodies in the six months after its purchase by Ford. Moreover, no figure is given for the pre-acquisition profits of Briggs. The group's net profits last year were £5,131,327; the year before Ford earned a net profit of £3,029,526 while Briggs earned £769,617. The advance in net earnings masks an even bigger increase in trading profits; the 1953 profits are struck after charging £10,693,000 for taxation (including £2,766,000 for EPL), compared with a tax charge of £5,750,000 in 1952. Last year Ford's total income was of the order of £18.4 million, compared with £12.4 million in 1952.

Bigger profits, as the market expected, have brought bigger dividends. The directors have now recommended an ordinary dividend of 12 per cent on a capital of £19,512,124, as increased by the 100 per cent share bonus and the £1,512,124 issued when Briggs was acquired; this dividend absorbs £1,287,800. The year before the company paid a dividend of 15 per cent, absorbing £708,750, on the original capital of £9 million. The effective increase in the dividend is from 7½ to 12 per cent, and after this announcement the £1 ordinary shares were marked up by 4s. 9d. to 49s., to yield 4.9 per cent. The disappearance of EPL ought to leave the way clear for larger distributions in the future.

Market hopes rest on the belief that Ford has toughened itself more energetically than its rivals against the competitive struggle ahead. Last year it bought out Briggs (securing its body supplies), completed its range of models and reduced its selling prices. It is typical of the company's attitude that on the day of its preliminary report it announced cuts in its export prices, designed specifically to counteract the growth of German competition. The cuts ranged from £6 on the Anglia to £22 on the big Zephyr. Beneath its newly strengthened muscles lie the bones of a giant, keeping costs down by highly mechanised production, by vertical integration, and backing up sales by an unrivalled repairs and service organisation.

Another Copper Refinery

ROAN Antelope Copper Mines is to build an electrolytic copper refinery at Ndola, Northern Rhodesia. This will bring the number of electrolytic refineries serving the

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Rhodesian copper belt up to three. The Anglo-American group has Rhodesia Copper Refineries serving Rhokana and to some extent Nchanga; the Selection Trust group has an electrolytic refinery at Mufulira with a planned capacity of 70,000 tons a year and already up to about half that level. The new Roan refinery will cost about £3 million and have an estimated capacity of 50,000 to 60,000 tons a year with the possibility of an extension up to 110,000 tons a year at the cost of a further £1½ million. It will be powered by the Rhodesia Congo Border Power Corporation. Details of the financing are still to be decided: Roan will take up the equity of the refinery company and the balance of the money will be raised as loan capital from outside parties. The estimated additional income is given at £1 million a year.

To all appearances this move completes the supply of electrolytic refineries for the copper belt. The four big mines are all to some extent covered. But appearances can be misleading. Rhodesia Copper Refineries belongs both to Rhokana and Nchanga, but in practice it has treated far more ore from Rhokana than from Nchanga and it would not be surprising if sooner or later the Anglo-American group required a second electrolytic refinery. The emphasis today is all on electrolytic copper and rightly so. The difference between electrolytic copper of a purity of not less than 99.90 per cent and really good blister assaying 99.2 to 99.5 per cent is vital in many important uses. Certainly blister copper will always be good enough for some uses like copper sulphate, but all mines are likely to have some blister available for those markets.

One interesting aspect of the development is that Roan has always claimed that its blister is of exceptionally high quality, implying that it was within measurable distance of electrolytic purity. The company may not have changed its mind on this point, but blister copper is not good delivery against the London Metal Exchange contract, and the normal price differential today is about £15 a ton.

Austin's New Nash

THE huge initial costs of tooling for any new American automobile make full-scale trials of the market for any radically new model an enormously costly operation; but manufacture in Europe requires a far smaller investment. This is presumably the consideration that led the Nash-Kelvinator Corporation to arrange for its new small "Metropolitan" car to be built in Britain, by Austin and Fisher and Ludlow, now linked in the British Motor Corporation. Body tooling for a new model, in the United States, would probably cost some £2 million; here it may be in the region of £750,000, and Nash has moreover accepted the BMC 1,100 cc engine already in quantity production for the A40 as a proved and economical power unit.

The initial Nash order is for 20,000 units. The operation is presumably costed on the basis that on this volume it will yield neither profit nor loss, but amortise the tool costs—which might add \$150 or more to the retail price of the car. If the first 20,000 Metropolitans sell readily—and a substantial proportion will of course be absorbed in stocking up the Nash dealer organisation—the price might

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then be reduced by the amount included to amortise tooling. The basic retail price reported is \$1,480; and some such reduction may be needed if the Metropolitan is to sell freely on the American market, since the larger basic models of Chevrolet and Plymouth sell at about \$1,700.

But if the Metropolitan should succeed and suggest to the American industry that a car comparable in size to the medium European cars could be sold in high volume in the US market, the implications for imported cars there might be serious. Such models might be made in Detroit, and if so, might become available in competition in part at least of the neutral markets of the world. Motor manufacturers outside America have hitherto derived a considerable advantage from the fact that the higher standard of living and lower cost of fuel in the USA have kept the size, weight and fuel consumption of US cars well above what is generally acceptable elsewhere. To meet direct competition from Detroit, on a comparable car produced in quantity—and perhaps when dollars are no longer short—would be an unenviable prospect for any other motor maker anywhere.

Insurance Dividends

RIGHT at the head of the list of recent dividends and bonuses to policyholders from the insurance companies stand the payments just declared by the Prudential Assurance Company. Not merely because the "Pru" is the biggest of them all but also because its payments are so liberal. Its reversionary bonus on premium paying participat-

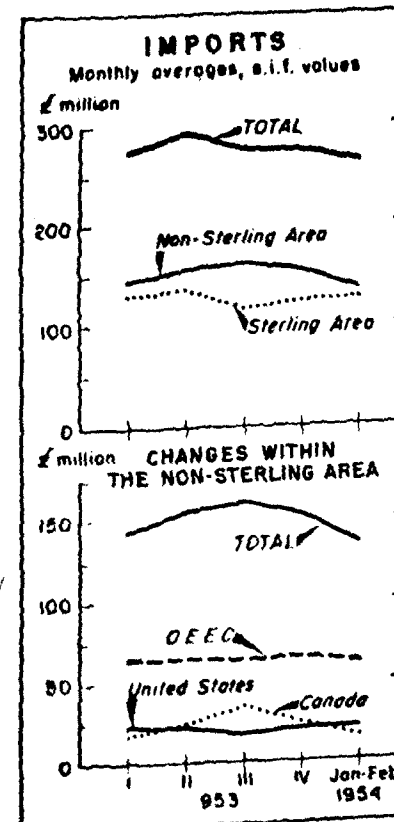
ing industrial policies is raised from 28s. to 30s. per £100 assured and on British ordinary policies (other than group pensions policies) from 34s. to 38s. per £100 assured. Following these increases, the tax free dividend on the £1 "A" ordinary shares (which is derived from the profits of the ordinary, industrial and general branches) has been raised from 21s. to 22s. 6d. a share. The tax free dividend on the 4s. "B" ordinary shares (which is derived from the profits of the general branch alone) has also been increased, from 2s. to 2s. 6d. a share.

Ordinary Shares	Dividends		Market price	Yield
	Previous Year	Latest Year		
	s. d.	s. d.		£ s. d.
Britannic 5/-	2 9½	3 0	5½	5 3 11
Equity & Law £5 (30/- pd.)	5 0½	5 0½	13½	3 9 3
Legal & General £1 (5/- pd.)	6 9	6 9	10½	3 5 1
Life Assoc. Scot. £40 (£10 pd.)	40 0	40 0	41½	4 16 5
Northern £10 (£1 pd.)	18 0	20 0	27½	3 15 10
Pearl £1	12 0½	12 0½	21½	5 0 4
Prudential "A" £1	21 0½	22 6½	38½	5 7 0
Prudential "B" £1 (4/- pd.)	2 0½	2 6½	4½	4 12 2

*Equivalent rate after share split; actual rate was 21½ on each £1 share
†Tax free.

The "Pru" has, thus, again been able to blunt the edge of the cautionary remarks made when its articles were modified in 1952. Then, the directors stated that they did not expect that the profits from either the ordinary or the industrial branches would expand sufficiently to allow more than 90 per cent of the surpluses to be allotted to policy holders while making "proper provision" for shareholders. Profits have expanded more quickly than the directors thought and the latest distributions divide the surplus in the ratio of 91.2 per cent for policyholders (against 90.6 in 1952 and 90.0 in 1951) and 8.8 per cent for shareholders (against 9.4 and 10.0).

Not all the insurance companies have been so liberal as

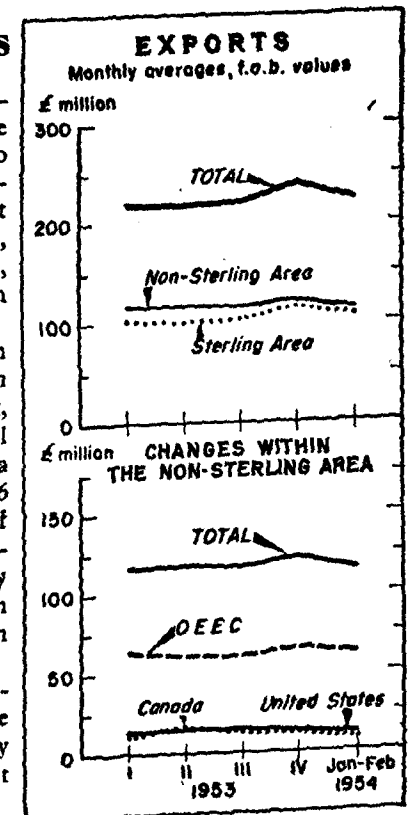


How British Trade Goes

DESPITE the American recession and the disappointing trend of total exports, Britain's trade deficit did not materially worsen in the first two months of this year, and the deficit with the non-sterling countries narrowed. Credit for this must go to a largely seasonal fall in imports in February, to a further improvement in the terms of trade, and to the fact that, so far, the American recession has not really lapped other shores.

The fall in exports to the non-sterling area in January and February was accompanied by a much larger fall in imports from that area. As a result, the deficit in trade with the non-sterling area fell again in January and February by £11 million to a monthly average of £21 million, which was £6 million below the average for the first quarter of last year. The remarkably moderate drop in exports to North America was more than offset by the drop in imports, so that the North American trade deficit fell by a further £5 million to an average of £15 million in January and February.

Trade with the OEEC countries and their possessions has remained almost steady. Exports to the rest of the non-sterling world fell by only £1 million a month in January and February, but imports fell by £6 million a month.



the "Prus," though last year their surpluses must have felt the benefit of higher interest earnings and of the business secured during the earlier inflationary period (the effect of which takes some time to seep through to the distributable surpluses). And, to judge by the increase in the dividend on the Prudential "B" shares, the general branches may have been more profitable than they were. Interest rates are now lower; industrial and ordinary policies are not so easy to sell as they were, even the competition for pension funds business is keener. But the margin of cover for insurance dividends is also highly satisfactory.

Running Down Coal Stocks

So far this year, coal consumption in Britain has been about 1,200,000 tons higher than it was in the same weeks of 1953. An increase of about 2½ per cent is not surprising, since the weather, on average, has been about two degrees colder, and industrial activity is running at a markedly higher level. It is, indeed, no more than the increase in production that the National Coal Board mentioned at the beginning of the year during its negotiations with the miners, though remaining careful to make no promises to the country's consumers. But the miners, and coal production, are not keeping pace.

Output from the mines in the first 11 weeks of the year was only about 190,000 tons more, or less than half of one per cent better, than twelve months before, and since open-cast production has been lower the total output shows hardly any increase. Stocks have therefore been run down considerably more than in early 1953, though they are held closer to the point of consumption. On March 13th there were 13,392,000 tons of coal in distributed stocks and 1,802,000 in the industry's own stocks, compared with 12,756,000 tons distributed and 3,750,000 in colliery dumps and opencast stocking grounds a year before. These stocks are entirely adequate to end the winter, but the industry will be much less comfortably placed to begin building stocks during this summer than last.

The Board's talk of an increase of 5 million tons was originally directed to its financial implications—this, roughly, appeared to be the extra tonnage required if the Board was to pay the miners' higher wages without a general rise in the price of coal. Its experience so far will not have been encouraging; whether this will persuade it to make more of its "changes in the price relativity" between different types of coal is not yet clear. Its marketing department has been moving up the price of anthracite coals, which are among the most costly to produce. The Board's intentions concerning the price of carbonisation coals remain hidden, and the cause of some apprehension to the steel industry; but from the gas industry, the other major consumer, there came this week one robust voice calling for an end to control of supplies and price for both coke and coking coals. This was in "Focus," a bulletin circulated within the North-Western Gas Board; it argued that when demand for coke is high a price for coking coals freely "related to cost" would ensure that the gasworks and coke ovens, who unlike some of its other consumers really need this coal, could make sure of getting it.

Air Freight Concessions

THE international airlines are today as divided over the question of whether air freight rates should be cut in an attempt to attract more traffic, as they were two years ago over tourist fares. So far there has been no general cut in rates, but significant concessions have been announced and the shipping agents are now co-operating to take full advantage of them. Next month, provided that the United States government does not raise legal obstacles, a 30 per cent reduction is to be made on consignments weighing 200 kilograms and over carried on the North Atlantic route only. A 25 per cent concession for all consignments weighing 45 kilograms and over has been in force since 1947. The new concession represents a compromise between the rate cutters, headed by Pan American World Airways which threatened to introduce an all-round 30 per cent reduction in the rates it charged, and the no-change group.

All airline rates, freight as well as passenger, are fixed by the International Air Transport Association, and governments insist that operators flying into their territory observe IATA rates. But it is becoming demonstrably impossible to control freight charges. Any operator is free to file a special "commodity" rate and thus undercut the general freight rates. Unless objections are raised to this rate by other airlines, which does not usually happen, IATA simply rubber stamps the new commodity rate as the one at which airlines flying on that route are permitted to carry that particular cargo. This procedure makes it possible to offer substantial inducements to shippers, but it is cumbersome, and percentage discounts on big consignments are, from the shippers' point of view, more attractive. Seventeen of the big British shipping agents have now formed a company, Groupair (Cargo) Ltd., so that they can consolidate the small packages passing through their hands into consignments big enough to qualify for the bulk discounts.

The company published its first list of rates over the week-end. The normal freight rate from London to New York, for example, is 17s. 3d. a kilo, and the rate for consignments of more than 45 kilos, 13s. a kilo. The consolidated rate offered by Groupair is 15s. 7d. a kilo for small packages, with big parcels travelling at the normal IATA rebate. To Johannesburg, the IATA charge is 23s. 1d. a kilo, the consolidated rate, 20s. 9d. a kilo, and the bulk rate, 13s. a kilo. Rates for freight consolidated to qualify for the 30 per cent rebate for 200 kilo packages on the North Atlantic have not yet been published, because it is still not certain whether they can come into operation. If they are approved, there will be four different general cargo rates on the North Atlantic, the basic IATA general rate, the consolidated rate, the IATA rate for consignments weighing between 45 and 200 kilos, and the IATA rate for consignments of 200 kilos and over—and, on top of this, the multiplicity of special commodity rates filed by different airlines.

Recovery in Rubber

AFTER falling just below 16d. a lb in London early this month, natural rubber has since risen to about 16½d., thanks to the improvement in New York; this springs

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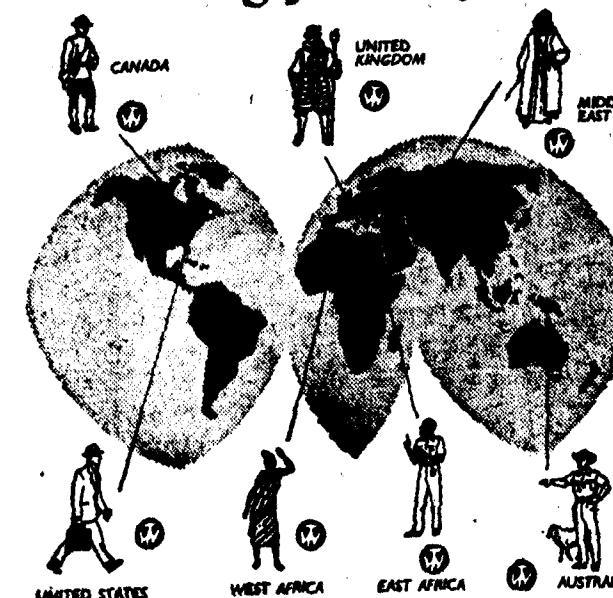
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partly from the New York dock strike, which has led to a shortage of prompt rubber, and partly from a decision that is believed to have been taken on the sale of low-grade natural rubber from the American stockpile. In December, sales of this rubber to American manufacturers were cut from a maximum of 10,000 tons a month to 5,000 tons, but existing contracts were to be honoured so that sales would continue at the existing rate until the end of March. Forward deliveries, however, were limited to the month following that in which the sale was made, and requirements in excess of 10,000 tons had to be bought on the open market. This rule has had the desired effect of narrowing the discount on the low grades. The American manufacturers probably hoped to persuade the authorities to modify their attitude. The recent increase in American purchases may indicate that they have failed. The New York market, which owing to the freight differential should in theory be $\frac{1}{2}$ d. a lb above the London market—but has in the past often been depressed to parity—is now $\frac{3}{4}$ d. above London; and the small advance in the London market has encouraged a slightly better demand from British and Continental buyers.

The reduction in the planned output of GR-S synthetic rubber in America in the second quarter has also been interpreted as favourable to natural rubber. The Reconstruction Finance Corporation's announcement was made three weeks after it had published its estimates of output and sales for that quarter. Owing to the declining trend of sales, output of GR-S will be cut by about 7,000 tons to 106,300 tons to prevent government stocks from exceeding the limit of 85,000 tons. Sales in June are estimated on the basis of firm orders placed by large consumers at only 32,500 tons, compared with 38,700 tons in January. This could imply a proportionate fall in total consumption of rubber in America, a proportionally larger usage of natural, or a mixture of the two. Total consumption in February fell slightly to 95,100 tons, but the proportion of natural rubber used rose further to 49 per cent. World consumption of natural rubber in January rose by 15,000 tons to 137,500 tons, while production dropped by 7,500 tons to 160,000 tons, still leaving a sizeable surplus of 22,500 tons. The surplus may fall appreciably with the seasonal decline in production between February and April, provided that total consumption in America recovers.

Titanium from Japan

A BRITISH company has concluded a contract to import titanium sponge from the rapidly expanding Japanese titanium industry, which claims to have become the world's second largest producer—after the United States—of this tough light metal. About 2,500 tons of titanium sponge was produced in 1953 by the two plants now operating in the United States, and there was some production from the pilot plant that Imperial Chemicals has built in this country; the Japanese output is reported as 70 tons, of which 44 tons was exported to the United States. The production of titanium ingots from the sponge produced in the primary refining process is itself a formidable undertaking; the Japanese producers, who are for the present selling the crude sponge, seem to be encountering some difficulty

in finding customers who can handle this secondary job.

The Japanese have been talking of an output rate of about 50 tons a month this spring, though their present production is probably no more than a quarter of this; and planning a further rise to 100 tons a month by April, 1955. This may be compared with firm American plans for about 800 tons a month by the end of 1955, and the hopes expressed recently that output might be supplemented to reach more than 3,000 tons a month by 1956; and also with ICI's plans—about 12½ tons a month from the pilot plant this summer, and by the end of 1955 a plant designed to produce about 125 tons a month and to process the metal through to ingot and rolled products. Another British company has recently been formed to fabricate titanium billets into rolled and forged products.

In the United States, as in Britain, arguments continue to be voiced that the present rate of development for titanium—for which demand seems certain to increase as aircraft approach the "heat barrier"—is not rapid enough, and the Japanese producers are therefore hoping to export nearly all their eventual output. For the present, however, the shortage in the United States seems largely to be vocal or on paper. At the same time that Senators were hearing scare stories of long-term shortage from consumers, those same consumers were receiving circulars from the Government imploring them to buy more and clear some of the accumulating stocks. In Britain, the Ministry of Supply has not found it necessary to buy up to the limit of the contract for experimental supplies of titanium that it has with one of the American producers, and a review of supply prospects over the next few years has strengthened official confidence that the capacity planned by ICI for 1955 and after will be sufficient. One contribution to the wider use of the metal has come from the Titanium Metals Corporation of America; it has reduced its current prices—about £7 a lb—by 12 per cent, as a result of production economies in its present conventional refining process.

More Credit for Exporters?

THE British exporter has his problems, but he must count himself well served in the facilities which he enjoys for credit insurance. A government department vies with private enterprise to insure his credit risk, the Export Credit Guarantee Department being in partial competition with firms like the Trade Indemnity Company. Special arrangements have also been made to provide finance for export industries. This week brings news of another venture, the Manufacturers Export Finance Company, to supplement the work of the Export Credits Guarantee Department; it will allow the exporter to get the bulk of his money before the credit to the foreign buyer expires.

The proposed company will have an issued capital of 250,000 £1 shares 4s. paid. Most of the capital is to be subscribed by firms in the engineering industry and only 20 per cent by the firm of Heller and Partners, merchant bankers. It is hoped that bank credits of at least £2 million will be available to the new company at rates of about 4½ per cent, and that the total charge payable by the foreign buyer for the new company's facilities would not exceed

6½ per cent exclusive of the ECGD's charge. What the new company offers to do is, in effect, to discount the ECGD bill. It will find the prompt cash, but to the extent only that the British Government has insured the transaction; it facilitates extended credit to the foreign buyer, but for no longer than the credit insurance runs.

The need for this new facility will now be put to the proof. If it scores a real success, it will do so without any direct connection with the large merchant banks and acceptance houses. This will be a considerable achievement for the engineering firm of Tangye. The only one of the manufacturing companies supporting the plan which has revealed its identity. Have the great houses of finance and industry missed a fine opportunity—or will the gaps in the British credit machine be proved to be not so wide after all?

SHORTER NOTES

Dorman Long was most active in the 53 weeks to October 3rd. Improved raw material supplies contributed towards the increase in production. Its exports of rolled steel increased and a further improvement in the results of its constructional and engineering activities took place. The group's trading profits advanced from £6,579,693 to £7,863,972. This profit, however, includes over £1,800,000 from the premiums on steel exports; these premiums are now rapidly declining. Its order book for heavy steel products and constructional work is still strong, but there has been some contraction in the demand for re-rolled products. Dorman Long spent about £4½ million on capital account in the year under review and has now entered the third stage of its development programme, which will cost more than £36 million.

The Standard Motor Company has now virtually abandoned the one-model policy that it pioneered after the war. A 10 horse-power version of the new Standard 8 has gone

into production, with a number of refinements, such as a rear-opening boot and a higher degree of interior finish, but the same wheelbase. The basic price is £409 (£580 10s. with tax) compared with £339, or £481 7s. 6d. with tax, for the lower powered car.

Van den Berghs and Jurgens, a subsidiary of Unilever Limited, will sell Stork, its first quality margarine, at 1s. 9d. a lb after rationing ends on May 8th, and Echo, its second quality brand, at 1s. 4d. a lb, 2d. cheaper than the controlled price of the existing national grade. The company is by far the largest manufacturer of margarine in Britain, and its prices are likely to set the standard for the industry. The controlled price of butter is 3s. 8d. a lb.

There are three links in the chain of Dowty Equipment's latest proposals. The full year's tax free ordinary dividend is raised from 22 to 33 per cent. Dowty Equipment, now controlling ten subsidiaries, is to form a new holding company, Dowty Group, Limited, and will offer three fully paid 10s. shares in this company for every 5s. ordinary share in Dowty Equipment, which has an issued capital of £300,000. If these proposals go through, the new company will offer by "rights" in the ratio of one for three 1,200,000 new 10s. shares at 10s. 9d. Two new factories will be built and in the future the company's interests in hydraulic equipment for general industrial purposes may become of more importance than its interests in aircraft landing gear and components.

Gallaher, the tobacco company, has raised its equity dividend from 17 to 20 per cent. The latest final dividend of 15 per cent is to be paid on an ordinary capital of £4,937,500, as increased by the issue of £437,500 capital when the company acquired Cope Brothers last January. The group's net profits in 1953 advanced from £744,167 to £913,438.

were marked up by 9d., to 34s. 9d., to offer a yield on the hypothesis of a 3s. dividend—and it is nothing more than a hypothesis—of 8.6 per cent.

HARRODS. The unusual feature of Harrods accounts is that trading profits are shown before charging wages and salaries and other operating expenses. In the year to January 31st these profits rose by 17 per cent, from £5,863,306 to £6,880,891. But operating costs rose as well, with wages and salaries increasing from £2,903,022 to £3,268,931, so that profits before tax rose by only £366,833 to £1,786,424. In his statement the chairman, Sir Richard Burbidge, makes it clear that the advance in profits stemmed from a rise in the volume of sales. Prices were lower but the Harrods stores served far more customers.

Trade was slack at the beginning of the financial year and then began to pick up as the Coronation approached. This was as the directors expected but they were surprised when the improvement gathered momentum through the second half of the

year, rising to a peak at Christmas. Sales over the whole year established a new record, enabling the group to absorb any losses on stocks when purchase taxes were reduced. Not all departments shared in this improvement, for the mild autumn weather adversely affected the sale of winter clothing. In explaining the happy outturn Sir Richard singles out the reduction in taxes in general as well as in

	Years to Jan. 31, 1953	1954
Consolidated earnings:—		
Gross trading profit.....	5,863,306	6,880,891
Wages and salaries.....	2,903,022	3,268,931
Other operating expenses.....	1,390,216	1,591,625
Depreciation.....	179,236	191,381
Profit before taxation.....	1,419,591	1,786,424
Taxation.....	868,870	1,111,892
Net profit.....	537,203	663,727
Ordinary dividends.....	235,503	274,130
Ordinary dividends (per cent).....	13½	15
Retained by subsidiaries.....	86,489	136,584
Building reserve.....	50,000	75,000
Added to carry forward.....	7,711	9,263
Cons. balance sheet:—		
Fixed assets, less depreciation.....	8,202,156	8,630,359
Net current assets.....	5,009,750	5,045,852
Stocks.....	3,144,864	3,449,602
Quoted securities.....	1,267,949	867,949
Cash.....	1,671,458	1,883,610
Customers' balances.....	1,570,392	1,535,825
Reserves.....	3,040,613	3,486,332
Ordinary capital.....	3,322,791	3,322,791

£1 ordinary stock at 45s. 6d. yields £6 12s. per cent.

purchase tax and the relaxation of controls. The middle classes had a little more money in their pockets and the Harrods group, particularly in London, was an obvious beneficiary. At the same time the company's buyers had a greater freedom of choice to meet these revived demands.

The revival in trade is reflected in the balance sheet by the increases in stocks (from £3,144,864 to £3,449,602) and in debtors (from £1,822,232 to £2,229,267). Hence there was some reduction in the group's liquid assets, reflected in the sale of part of its gilt-edged holdings. But the group's liquid reserves are still ample and on this score, associated as it was with an increase in profits, the directors could have

had no qualms in raising the equity dividend from 13½ to 15 per cent. Sir Richard implicitly avoids the question whether this is all that shareholders can expect in the future by refusing to make any forecast about prospects.

HADFIELDS. Hadfields is not in the first list of steel companies to be sold back to the public, and the chairman, Lord Dudley Gordon, in his statement with the full accounts, says "it is too early to estimate when this operation will take place." Judging by the pace of the steel share offers, the Iron and Steel Realisation Agency may remain the only shareholder in Hadfields for some time. But the accounts of the group are of some interest in showing how well the manufacturers of forgings and castings have fared and are likely to fare in the future.

In the 53 weeks to October 3rd last, the group's sales rose again and its trading profits advanced from £1,038,383 to £1,344,155. In the same period its stocks rose in book value from £2,642,425 to £2,913,325. In part this expansion in sales was the inevitable counterpart of the group's development programme, which has largely been financed by loans from the Agency. At the beginning of October these loans totalled £3,205,000, compared with £2,605,000 the year before.

The increase in the value of sales by the Hadfields group was due to a small extent to a rise in prices but sprang in the main from a further expansion in output. Towards the end of the financial year the value of orders received began to decline but "the backlog of unfulfilled orders made it possible to maintain and increase the rate of output from the works." The group has still enough orders on hand to keep its works fully employed in the current year. But, in drawing attention to the growing threat of foreign competition, the chairman reveals the anxiety that some directors of steel companies must feel about the thinning out of order books.

LONDON STOCK EXCHANGE

Next Account begins: March 31st.
Next Contango Day: March 31st.
Next Settlement Day: April 6th.

CONFLICTING influences were at work in the stock market this week. Just before the weekend gilt-edged prices responded to the new arrangements for sterling but then the demand for the Funds was restrained by the large sums tied up in the heavily over-subscribed ICI issue, and prices faltered. Later in the week, however, gilts took another turn for the better. The renewal of demand was also reflected in advances in Dominion and Colonial stocks. Interest in the foreign market was concentrated almost exclusively on German issues which surged forward on a wave of buying orders; by the close on Wednesday the Young loan was quoted at 133 and the Dawes loan at 88½. Some switching out of Japanese issues into German stocks was reported and they lost some ground.

No marked trend became apparent in equity prices, though the market was turning a little firmer on Wednesday. The market was dominated by shares that responded to various dividend announcements. Motor shares, for instance, improved after the announcement of the increase in the Ford dividend. Tobacco shares were in rather better demand and on Thursday Gallaher put on 1s. 3d. to 26s. 6d. in response to the higher dividend. Electrical equipment, textile and brewery shares tended to droop. Engineering issues made rather a mixed showing, but Dowty Equipment put on 4s. to 61s. 9d. when a bigger dividend was announced. Unilever NV went ahead on buying from Amsterdam and then fell back when Amsterdam became a seller.

Oil shares moved somewhat irregularly, but Anglo-Iranian continued to edge upwards, to close on Wednesday at 10½. Kaffir shares were unsettled by the reports of the merger and capital reconstruction of Freddie's North and Freddie's South, which lost heavily, and losses were scattered throughout the list. Kaffirs, along with South African industrials, took a turn for the better when the details of the South African budget became known.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Mar. 17...	137.6	112.23	3.88	5.29
" 18...	137.1	112.25	3.88	5.33
" 19...	137.1	112.36	3.87	5.33
" 22...	136.8	112.22	3.88	5.34
" 23...	136.7	112.24	3.88	5.35
" 24...	136.5	112.30	3.87	5.36
1954, High (Feb. 9)	140.2	112.47	Total bargains 1954	
" Low. (Jan. 1)	131.1	111.78		
1953, High (Nov. 4)	131.5	112.55	" 17	11,261
" Low. (May 20)	113.9	105.68	" 18	10,532
			" 19	10,247
			" 22	12,729
			" 23	10,363
			" 24	9,437

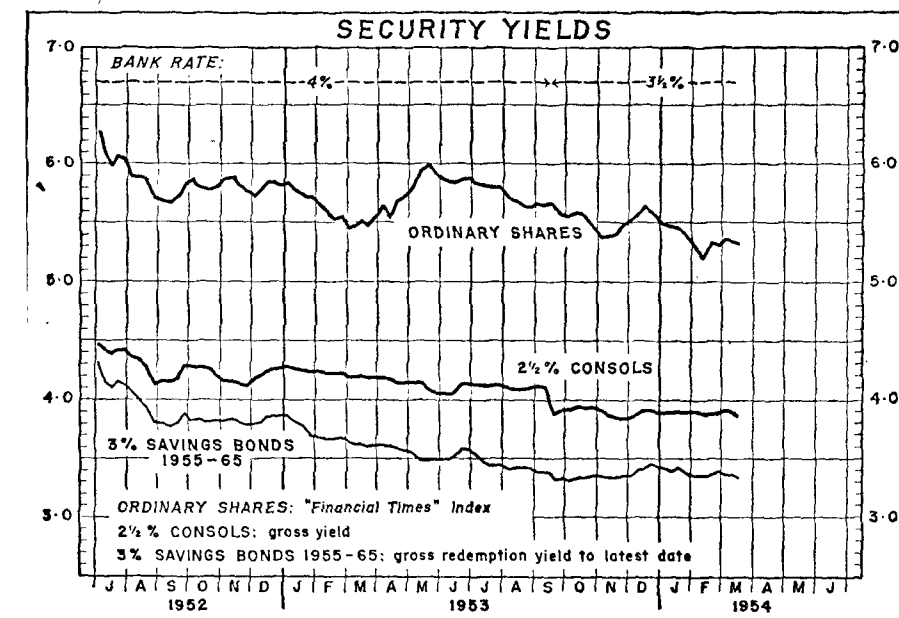
* July 1, 1935=100. † 1928=100

Company Notes

DEBENHAMS. The directors of Debenhams, controlling the largest chain of department stores in this country, appear to be sticking to their guns, fighting off any suggestions that the company's extensive properties should be hived off into a separate company. In his last statement the chairman, Mr G. M. Wright, argued very strongly against this policy, and the associated one of selling off the freeholds and taking the properties back on leases. Those ideas were associated with the belief that Mr Charles Clore and his associates already hold about 10 per cent of the equity. To do what Mr Clore might be expected to do would be one way of keeping him at bay. Another would be to pay extravagant dividends so as to hoist the shares beyond his reach. But the latest interim dividend from Debenhams suggests that the board is still opposed both to extravagant dividends and to saddling its stores with heavy rent charges.

The directors have now declared an interim dividend of 9d. on the 10s. ordinary shares. It is liberal but not extravagant. Last year they paid an interim dividend of 6d. and followed it up with a final of 1s. 6d. on the 4s. shares, which were later written up to a nominal value of 10s. by a bonus issue. The presumption is that, though the company's financial year has still four months to run, profits earned by the Debenham group are at least as buoyant as those recently reported by other department stores. Profits should now be responding to the coming into full operation of Debenham's new businesses and war-damaged stores.

The latest dividend has thrown estimates of the full year's payments into the melting pot. Before the announcement the market had set its sights on a full year's dividend of 2s. 6d. a share (or 25 per cent). Now it has to consider the possibility of a payment of 3s. (or 30 per cent). After the announcement the shares



LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Mar. 24		BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 17, 1954	Price, Mar. 24, 1954	Net Yield, Mar. 24, 1954 %	Gross Yield, Mar. 24, 1954 %	Prices, 1954 Jan. 1 to Mar. 24		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 17, 1954	Price, Mar. 24, 1954	Yield, Mar. 24, 1954 %
High	Low						High	Low					
100 1/2	99 1/2	Exchequer 2 1/2% 1955	100 1/2	100 1/2	1 0 11	2 3 6	48/6	41/4	12 1/2	15 c	45/6	45/6	6 11 10
102 1/2	101 1/2	Exchequer 3% 1960	101 1/2	101 1/2	1 7 0	2 14 0	14/6 1/2	13/1 1/2	15 c	5 a	14/6	14/6	6 8 3 1/2
100 1/2	99 1/2	Exchequer 3% '62-63	100 1/2	100 1/2	1 13 2	3 1 2 1/2	56/3	49/9	10 b	5 a	56/-	55/6	5 8 1
99 1/2	99 1/2	Serial Funding 1 1/2% 1954	99 1/2	99 1/2	0 18 2	2 2 10	24/9	22/1 1/2	2 1/2	7 1/2	22/9	23/-	7 16 60
99 1/2	99 1/2	Serial Funding 2 1/2% 1957	99 1/2	99 1/2	1 4 10	2 7 2	55/-	47/6	12 1/2	2 1/2	54/6	53/6	5 12 2
101 1/2	101 1/2	Serial Funding 3% 1955	101 1/2	101 1/2	0 14 4	2 7 2	37/10 1/2	32/-	4 a	11 b	35/-	35/6	8 9 0
100 1/2	100 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	1 3 10	2 7 4 1/2	27/10 1/2	24/9	12	6 a	27/4 1/2	26/9	5 19 8
100 1/2	100 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	1 3 2	2 9 11 1/2	56/6	49/4 1/2	7 1/2	5 a	53/-	53/-	4 14 4
101 1/2	100 1/2	Nat. Def. 3% '54-58	101 1/2	101 1/2	1 4 9	2 12 9 1/2	27/8 1/2	25/2 1/2	6 1/2	6 1/2	26/10 1/2	27/6	5 1 10 1/2
102 1/2	101 1/2	War Loan 3% '55-59	101 1/2	101 1/2	1 6 4	2 12 9 1/2	53/3	47/4 1/2	5 a	10 b	49/6	51/6	5 16 6 1/2
97 1/2	95 1/2	Savings Bonds 3% '55-65	96 1/2	96 1/2	1 19 6	3 7 4 1/2	69/3	64/-	20 c	5 a	66/6	66/-	6 1 3 1/2
98 1/2	97 1/2	Funding 2 1/2% '56-61	97 1/2	97 1/2	1 14 10	2 17 5 1/2							
94 1/2	92 1/2	Funding 3% '59-69	93 1/2	93 1/2	2 3 9	3 11 9 1/2	46/6	41/9	7 1/2	7 1/2	44/9*	5 0 7 1/2	
95 1/2	93 1/2	Funding 3% '66-68	95	95	2 1 6	3 9 8 1/2	44/-	38/-	10 a	2 1/2	40/-	5 0 0	
102 1/2	100 1/2	Funding 4% '60-90	102 1/2	101 1/2	1 19 1	3 14 2 1/2	44/6	38/9	5 a	6 1/2	40/-	5 0 0	
92 1/2	90 1/2	Savings Bonds 3% '60-70	92 1/2	92 1/2	2 4 8	3 13 2 1/2	43/9	37/9	7 1/2	3 1/2	40/-	5 12	
91 1/2	90 1/2	Savings Bonds 2 1/2% '64-67	91 1/2	90 1/2	2 4 2	3 7 9 1/2							
103 1/2	101 1/2	Victory 4% '20-76	102 1/2	102 1/2	2 0 1	3 15 9 1/2	20/6	18/6	6 1/2	3 1/2	19/1 1/2	19/6	5 1 3
89 1/2	87 1/2	Savings Bonds 3% '65-75	89 1/2	89 1/2	2 6 0	3 15 2 1/2	7/1 1/2	6/3 1/2	4 a	6 1/2	7/-	7 10 0	
95 1/2	93 1/2	Consols 4% aft. Feb. '57	95 1/2	95 1/2	2 6 2	4 4 3 1/2	29/3	26/-	7 1/2	7 1/2	28/1 1/2	5 6 8	
86 1/2	84 1/2	Conv. 3 1/2% aft. April '61	85 1/2	86 1/2	2 4 8	4 1 3 1/2	48/9	35/9	7 1/2	12 c	44/9	4 19 6	
99 1/2	99 1/2	Conv. 3 1/2% 1969	99 1/2	99 1/2	1 19 11	3 11 10 1/2	57/-	47/7 1/2	6 a	9 b	56/-	5 6 8	
64 1/2	63 1/2	Treas. 2 1/2% aft. April '75	64 1/2	64 1/2	2 2 10	3 17 11 1/2	97/-	80/6	25 c	25 c	83/9	5 19 6	
75 1/2	74 1/2	Treas. 3% aft. April '66	75 1/2	75 1/2	2 3 8	3 19 5 1/2	36/10 1/2	31/-	2 a	8 b	36/6	5 9 7	
94 1/2	94 1/2	Treas. 3 1/2% '77-80	94 1/2	94 1/2	2 4 2	3 17 4 1/2	70/3	66/-	10 b	5 a	66/10 1/2	4 9 9	
94 1/2	92 1/2	Treas. 3 1/2% '79-81	94 1/2	94 1/2	2 3 10	3 16 8 1/2	6/9 1/2	5/5 1/2	12 c	12 c	5/10 1/2	10 0 0	
85 1/2	83 1/2	Redemption 3% '86-96	85 1/2	85 1/2	2 3 2	3 13 1 1/2	26/- 1/2	22/9	20 c	10 a	23/9	4 4 3	
87 1/2	84 1/2	War L'n 3 1/2% aft. Dec. '52	86 1/2	86 1/2	2 4 7	4 1 7 1/2	32/-	32/-	15 b	7 1/2	34/-	6 12 4	
64 1/2	63 1/2	Consols 2 1/2%	64 1/2	64 1/2	2 2 7	3 17 4 1/2	101/-	92/9	17 1/2	5 a	100/-	4 10 3	
90 1/2	88 1/2	Br. Elec. 3% '68-73	90 1/2	90 1/2	2 5 10	3 14 6 1/2	88/6	73/10 1/2	35 b	20 a	86/6	3 3	
89 1/2	87 1/2	Br. Elec. 3% '74-77	88 1/2	89 1/2	2 5 2	3 14 2 1/2	71/7 1/2	64/-	20 a	40 b	70/6	4 6 0	
105 1/2	103 1/2	Br. Elec. 4 1/2% '74-79	104 1/2	104 1/2	2 1 5	3 18 8 1/2							
96 1/2	93 1/2	Br. Elec. 3 1/2% '76-79	95 1/2	95 1/2	2 3 4	3 16 7 1/2	11 1/2	8 1/2	30 b	5 a	10 1/2	3 4	
86 1/2	83 1/2	Br. Trans. 3% '78-88	85 1/2	86 1/2	2 5 1	3 15 4 1/2	76/4 1/2	56/10 1/2	12 1/2	2 1/2	73/9	4 1	
90 1/2	88 1/2	Br. Trans. 3% '68-73	90 1/2	90 1/2	2 5 11	3 14 7 1/2	43 1/2	33 1/2	12 b	4 a	40 1/2	3 12 6	
102 1/2	100 1/2	Br. Trans. 4% '72-77	102 1/2	102 1/2	2 2 4	3 18 7 1/2	108/4 1/2	105/4 1/2	10 1/2	5 1/2	103/9	5 4 6	
86 1/2	84 1/2	Br. Gas 3% '90-95	86 1/2	85 1/2	2 3 9	3 13 7 1/2	20/7 1/2	17/6	5 1/2	15 1/2	19/9	4 13 3 1/2	
98 1/2	96 1/2	Br. Gas 3 1/2% '69-71	97 1/2	97 1/2	2 2 3	3 14 4 1/2							
102 1/2	99 1/2	Br. Gas 4% '69-72	102 1/2	102 1/2	2 1 5	3 17 4 1/2	43/7 1/2	37/9	13 1/2	2 1/2	42/-	7 8 10	

(e) To earliest date. (f) Flat yield. (h) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 Jan. 1 to Mar. 24		TRUSTEE STOCKS AND FOREIGN BONDS	Price, Mar. 17, 1954	Price, Mar. 24, 1954	Yield, Mar. 24, 1954 %
High	Low				
92 1/2	84 1/2	Aust. 3 1/2% '65-69	91 1/2	91 1/2	4 0 0 1/2
95 1/2	91 1/2	N. Zealand 3 1/2% '62-65	95 1/2	95 1/2	3 15 0 1/2
99 1/2	93 1/2	S. Africa 3 1/2% '54-59	98 1/2	98 1/2	3 16 9 1/2
73 1/2	66 1/2	L.C.C. 3% aft. 1920	73 1/2	73 1/2	4 1 8 1/2
95 1/2	90 1/2	Liverpool 3% '54-64	95 1/2	95 1/2	3 9 8 1/2
94 1/2	88 1/2	P.L.A. 3 1/2% '66-71	93 1/2	93 1/2	4 0 10 1/2
104 1/2	101 1/2	Agric. Mort. 5% '59-89	103 1/2	103 1/2	4 6 5 1/2
77 1/2	66 1/2	Austria 4 1/2% '34-59	80	80	4 4 5 1/2
21 1/2	19 1/2	Chinese 5% 1913	18 1/2	18 1/2	NIL
74 1/2	49 1/2	German 5%	80	87 1/2	...
102 1/2	65 1/2	German 4%	116 1/2	131 1/2	...
139 1/2	119 1/2	Japan 5% 1907	149	148 1/2	...

Prices, 1954 Jan. 1 to Mar. 24		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Mar. 17, 1954	Price, Mar. 24, 1954	Yield, Mar. 24, 1954 %
High	Low					
46/-	42/3	7 a	9 b	44/-	43/6	4 11 11 1/2
62/6	58/9	6 a	8 b	61/-	60/6	4 12 7
81/6	74/10 1/2	8 a	8 b	77/-	77/-	4 3 1
81/-	72/7 1/2	8 1/2 a	8 1/2 b	74/6	74/6	4 11 3
90/-	79/6	9 a	9 b	81/-	80/6	4 9 5
100/-	92/-	7 1/2 a	17 1/2 b	95/6	95/6	5 4 8
45/-	40/10 1/2	5 a	5 b	43/-	43/-	3 9 9 1/2
51/6	44/6	5 a	5 b	46/-	46/-	4 6 11
41/-	37/9	4 a	4 b	38/6	38/6	4 3 1
45/7 1/2	40/3	7 a	7 b	43/-*	42/6*	6 11 9

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 7 1/2% of face value. (e) To earliest date. (f) Flat yield. (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 15 1/2%, as forecast by Company. (v) Yield basis 7 1/2%. (x) Yield basis 18-18% gross. (y) Yield basis 11 1/2%. (z) Yield basis 11 1/2%.

New York Closing Prices

	Mar. 17	Mar. 24		Mar. 17	Mar. 24		Mar. 17	Mar. 24
Balt. & Ohio	20 1/2	19 1/2	Am. Smelting	31	31 1/2	Inter. Paper	60 1/2	61
Can. Pac.	24 1/2	23 1/2	Am. Viscose	35 1/2	35 1/2	Nat. Distill.	18 1/2	17 1/2
N.Y. Cent.	24 1/2	23 1/2	Cel. of Amer.	19 1/2	19 1/2	Sears Roebuck	58	59 1/2
Pennsyl.	17 1/2	16 1/2	Chrysler	62 1/2	61 1/2	Shell	91 1/2	90 1/2
Amer. Tel.	163 1/2	162 1/2	Gen. Elec.	100 1/2	100 1/2	Std. Oil of N.J.	80 1/2	79 1/2
Stand. Gas	12 1/2	13 1/2	Gen. Motor	64 1/2	64 1/2	U.S. Steel	41 1/2	41
United Corp.	5 1/2	5 1/2	Goodyear	60	60 1/2	Westinghouse	59 1/2	58 1/2
W. Union Tel.	40 1/2	39 1/2	Inter. Nickel	37 1/2	37 1/2	Woolworth	43 1/2	42 1/2

Statistics

The following list shows the most recent date on which each statistical page appeared.	
BRITISH	
Prices and Wages.....	Mar. 6th
Production and Consumption	Mar. 13th
Manpower.....	Mar. 20th
External Trade.....	This week
Financial Statistics.....	This week
Industrial Profits.....	Jan. 23rd
World Trade.....Jan. 23rd	
OVERSEAS	
Western Europe: Production and Trade.....	Mar. 6th
British Commonwealth	Mar. 13th
Western Europe: Prices and Money Supply	Mar. 20th
United States	This week

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1952	1953				1954	
		1951	1952	1953	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
VALUE (1)											
Imports :											
Total	£ million	325.2	289.8	278.8	268.0	290.1	242.5	272.2	281.6	282.1	242.0
Food, drink and tobacco	"	107.6	100.5	109.7	n.a.	102.4	90.2	n.a.	n.a.	114.1	100.2
Basic materials	"	126.8	95.4	87.9	n.a.	103.3	77.1	n.a.	n.a.	87.2	68.5
Mineral fuels and lubricants	"	26.3	28.2	26.2	n.a.	27.6	24.6	n.a.	n.a.	26.3	22.6
Manufactures	"	63.1	64.0	63.5	n.a.	54.7	48.8	n.a.	n.a.	52.7	48.9
Exports of UK produce :											
Total	"	215.2	215.3	215.2	207.5	217.7	194.9	239.9	224.6	225.7	201.1
Manufactures	"	183.0	178.5	174.9	n.a.	176.3	158.7	n.a.	n.a.	184.5	163.4
Re-exports	"	10.6	12.0	8.8	7.5	10.0	9.2	8.9	7.6	8.1	8.2
Balance of trade (exports less imports) ..	"	-99.4	-62.5	-54.8	-53.0	-62.4	-38.4	-23.4	-49.4	-48.3	-32.7
VOLUME											
Imports	1950=100	112.5	102.8	112.0	99.6	...	106.4	112	120	...	...
Exports	"	101.2	95.0	98.0	93	97	87	110	99	...	...
BY AREA											
Imports :											
Dollar area—total	£ million	64.5	60.1	52.9	43.9	45.0	41.8	51.5	51.1	42.7	...
" USA	"	31.7	26.2	21.2	18.7	26.6	21.4	21.7	23.4	21.2	...
" Canada	"	21.7	26.7	25.4	21.5	15.9	18.1	25.6	21.8	16.1	...
Non-sterling OEEC countries	"	83.9	71.3	64.1	64.6	67.4	57.4	63.7	65.5	64.2	...
Sterling area	"	116.5	119.7	125.3	132.7	140.8	113.7	123.8	124.2	142.3	...
Exports :											
Dollar area—total	"	28.8	31.4	33.7	28.8	31.5	29.7	34.9	31.7	31.7	...
" USA	"	12.8	15.1	14.3	13.6	14.1	13.8	12.0	13.5	12.7	...
" Canada	"	11.7	11.0	13.4	10.3	12.4	10.0	14.4	10.7	10.9	...
Non-sterling OEEC countries	"	56.2	58.4	62.5	61.0	63.5	59.3	67.7	58.9	63.7	...
Sterling area	"	110.8	107.0	105.8	97.9	107.5	94.8	121.5	116.8	113.1	...
Balance of trade (exports less imports) :											
Dollar area	"	-35.7	-28.6	-19.2	-15.1	-13.5	-12.1	-16.6	-19.4	-11.0	...
Non-sterling OEEC countries	"	-27.7	-12.9	-1.7	-3.6	-3.9	+1.9	+4.0	-6.6	-0.5	...
Sterling area	"	-5.7	-12.7	-19.5	-34.8	-33.3	-18.9	-2.3	-7.4	-29.2	...
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	337.7	325.3	335.2	324.9	261.6	256.3	275.1	336.8	238.4	208.7
Meat	"	39.9	45.5	63.1	29.2	46.9	74.5	66.3	54.8	56.8	55.2
Sugar, unrefined	"	186.8	164.6	248.6	161.1	134.0	110.5	251.0	277.6	337.2	255.7
Raw cotton (2)	"	37.5	21.8	27.5	16.0	29.8	19.1	25.7	36.4	27.3	26.4
Raw wool, sheep's and lambs' (2)	mn. lb.	36.0	51.9	63.3	68.4	102.7	68.8	55.9	57.3	70.4	40.8
Rubber, natural and synthetic (2)	'000 tons	25.1	16.7	18.4	20.7	16.6	15.5	15.6	18.5	23.3	24.2
Softwood	'000 stds.	135.6	85.2	119.1	52.7	142.7	87.7	91.7	93.0	80.8	56.7
Woodpulp	'000 tons	139.3	119.8	133.8	165.2	120.9	79.8	149.0	183.8	151.0	132.4
Crude petroleum	mn. galls.	359	494	556	555	541	462	608	604	595	540
Exports of UK produce :											
Coal, including bunkers	'000 tons	961	1,254	1,400	1,237	1,370	1,337	1,587	1,525	1,361	1,307
Woven piece-goods—cotton	mn. sq. yds	72	59	59	61	65	52	65	61	58	55
" " wool	'000 sq. yds.	9,817	8,143	8,706	8,624	9,739	8,011	8,845	8,600	9,145	8,211
Passenger cars and chassis	number	30,717	25,824	25,186	17,619	21,850	20,416	21,618	24,288	26,408	23,582
Commercial vehicles and chassis	"	11,382	10,636	9,199	8,614	8,807	8,144	10,205	9,853	11,233	10,316
Agricultural tractors	"	9,388	8,746	7,807	6,374	8,219	5,978	7,308	7,063	8,471	7,478
Machinery—electrical	£'000	4,022	4,805	5,015	5,244	5,373	4,232	5,300	5,230	5,249	4,779
" other	"	26,245	30,346	28,762	30,317	32,687	28,033	30,770	30,599	32,704	28,379
Chemicals, elements and compounds (2) ..	"	n.a.	3,085	4,180	n.a.	3,859	3,540	n.a.	n.a.	4,784	3,944

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	45.9
1952	111.6	107.0	113.5	114.6	105.8	...	123	102	121	195.0	67.97	68.5
1953	110.1	97.0	114.4	112.8	104.8	...	...	...	...	193.3	71.57	71.5
1953, October	110.2	95.3	115.4	113.6	105.5	...	118	102	116	187.1	71.73	71.09
" November	109.8	93.7	115.0	112.0	105.5	...	117	102	115	191.2	71.60	71.24
" December	110.1	94.4	114.9	112.3	105.3	...	...	...	...	193.4	71.96	71.6
1954, January	110.9	97.8	115.2	113.1	104.9	...	...	...	...	198.4	70.92	70.4
" February	110.5	97.9	...	...	...	...	...	...	...	203.1	70.71	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted	Civilian employment			
			Durable goods			Non-durable goods				Total labour force	Total employment	Unem- ployed as % of labour force	
			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	17.0	
1952	348.0	124	136	116	154	114	105	137	2,720	62,966	61,293	2.0	
1953	367.2	134	153	132	189	118	107	147	2,904	63,453	61,929	2.0	
1953, October	363.5	{	132	151	128	189	117	102	146	2,841	63,404	62,242	1.4
" November			129	146	122	180	115	98	145	2,900	63,353	61,925	2.0
" December			126	142	113	182	112	95	145	2,900	62,614	60,764	3.0
1954, January	...	125	140	110	184	112	95	144	2,915	62,840	59,753	4.9	
" February	...	123	137	107	178	112	96	...	3,031	63,725	60,051	5.8	

TRADE

	Personal consumption Annual rates	All business		Total retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks*	Sales	Stocks*	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Export
		\$ 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	...	...
1953, September	231.0	48.65	82.00	13.98	22.92	928	226	212	1,227	833	162	246
" October	230.0	48.28	81.81	14.04	22.72	821	210	200	1,236	824	145	248
" November		47.52	81.28	14.10	22.44	838	197	185	1,234	801	149	248
" December		47.24	81.07	13.93	22.66	896	204	186	1,340	875	...	...
1954, January	...	46.34	80.74	13.67	22.57	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics*		Budget expenditure*		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum		
1939	72.6	45.7	4.5	7.22	4.50	23.4	17.2	9.0	3.9	0.023	...	3.01
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	73.9	9.4	1.931	2.93	3.20
1953, October	287.2	200.7	11.9	28.17	21.49	76.8	67.1	5.5	2.8	1.402	2.83	3.16
" 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	282.5	195.6	12.4	28.13	21.44	78.7	66.5	5.1	0.6	1.214	2.68	3.06
" February	...	...	...	...	...	...	...	...	...	0.984	2.60	2.95

(*) Third quarter. (**) Figures have been revised on the basis of a new sample. (*) End of period. (**) All commercial banks. (*) Annual figures are totals for the fiscal year ended June 30th. (**) 13.82 in February.

EXCHEQUER RETURNS

For the week ended March 20th, there was an "above-line" deficit (after allowing for Sinking Funds) of £68,768,000 compared with a deficit of £5,255,000 in the previous week and a deficit of £28,221,000 in the corresponding period of last year bringing the cumulative surplus to £145,408,000 (£166,425,000 in 1952-53). Net expenditure "below-line" absorbed £27,717,000, which brought the total cumulative deficit to £278,033,000 (£412,644,000 in 1952-53).

£'000	Year to date 1953-54	April 1, 1952 to Mar. 21, 1953	April 1, 1953 to Mar. 20, 1954	Week to Mar. 21, 1953	Week to Mar. 20, 1954
Revenue					
Income Tax	1782,250	1679,353	1670,896	30,459	24,878
Corporation Tax	127,000	125,600	126,400	4,000	3,700
Excise Duties	150,000	147,350	158,500	3,700	3,300
Stamps	52,000	48,650	54,600	1,000	1,200
Profits Tax & E.P.T.	214,000	366,700	181,200	3,700	1,800
Special Profits Levy	99,500	2,200	63,150	300	1,100
Contributions and other Revenue	1,000	1,990	1,320	90	100
Total Revenue	2435,750	2371,843	2256,066	43,249	36,078
Expenditure					
Home Office	1044,300	1000,413	1019,628	19,274	19,743
Foreign Office	680,480	719,358	711,040	3,725	3,625
War Office	1724,780	1719,771	1730,668	22,999	23,368
Naval Service	69,000	67,658	72,805	133	...
Army	2,685	...	5,659	...	4,241
Air	16,000	13,600	15,050	...	...
Army Loans	25,000	24,682	37,935	...	516
Various	95,000	106,907	110,827	3,670	2,321
Total Expenditure	4368,215	4304,460	4227,010	70,051	58,042
Surplus or Deficit	166,425	145,408	28,221	68,768	...
Net Expenditure	579,069	423,441	46,165	27,717	...
Receipts from:					
Reserve Certificates	65,366	43,530	1,768	197	...
Government Bonds	19,100	19,000	1,600	300	...
Finance Bonds	54,661	37,380	1,171	576	...
Total Receipts	139,627	100,510	4,539	1,073	...
Surplus or Deficit	412,644	278,033	74,386	96,485	...

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
21.	2,810.0	1,569.5	332.2	...	4,711.7
28.	4,759.0*	266.9	1.0	...	5,026.9
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

In consequence of official purchases of tender bills in connection with cash subscriptions to the Exchequer Stock in October, it was impossible to calculate the division of tender bills until all the bills purchased had reached their original maturity date.

Financial Statistics

THE MONEY MARKET

CREDIT conditions in Lombard Street remained comfortable in the week covered by the Bank return. On Thursday before the weekend considerable Government disbursements gave rise to a sizable surplus of funds, and some overnight money was still unlent at 1 per cent. On the succeeding days credit was slightly more usable but still adequate for market demands. After the weekend the market was still able to balance its books without aid from the authorities, though credit was no longer in surplus. Throughout the week, May and June bills changed hands at 2½ per cent, though on Thursday of last week some business was done in April maturities at 1½ per cent whereas on Wednesday the market sold some June maturities at 2½ per cent.

The steady rise in the size of total applications that has been taking place at recent Treasury bill tenders was checked last Friday, when applications for the £260 million of bills on offer dropped by £49 million to £365.6 million. The upshot was that although the market maintained its bid at £99 9s. 5d. for the reduced offer its allotment rose from 45 to 60 per cent. The offer at yesterday's tender was restored to £270 million.

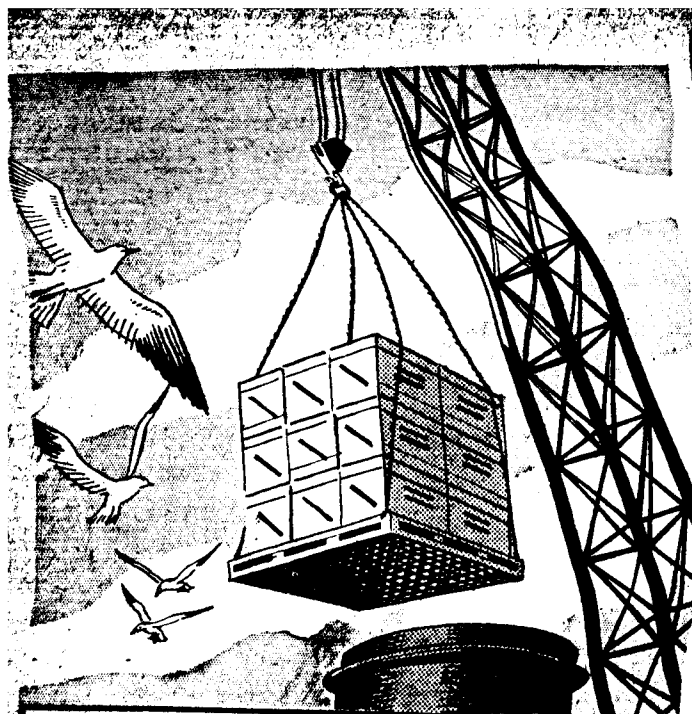
The Bank return shows an outflow of notes of £3.1 million in the week to Wednesday last. Government securities in the banking department fell by £2.4 million and other securities also fell on balance by £2.5 million. Moreover, public accounts rose by £5.3 million, and as other accounts fell only fractionally bankers' deposits fell by fully £11.7 million from last week's high level to £281.0 million. The market gold price of 148s. 3d. per oz has been used in the Bank return.

LONDON MONEY RATES

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

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates : Spot						
	March 24	March 18	March 19	March 20	March 22	March 23	March 24	
United States \$...	2.78-2.82	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	2.81½-2.81½	
Canadian \$...		2.73½-2.73½	2.73½-2.73½	2.73½-2.73½	2.73½-2.73½	2.73½-2.73½	2.73½-2.73½	
French Fr.	972-65-987-35	982½-982½	982½-982½	982½-982½	982½-982½	982½-982½	982½-982½	
Swiss Fr.	12-15½-12-33½	12-20½-12-20½	12-21½-12-21½	12-21½-12-21½	12-21½-12-21½	12-21½-12-21½	12-21½-12-21½	
Belgian Fr.	138-95-141-05	139-95-140-05	139-95-140-05	139-95-140-05	139-95-140-05	139-95-140-05	139-95-140-05	
Dutch Gld.	10-56-10-72	10-62½-10-63	10-63½-10-63½	10-64½-10-64½	10-64½-10-64½	10-64½-10-64½	10-64½-10-64½	
W. Ger. D-Mk.	11-67½-11-84½	11-70½-11-71	11-71½-11-71	11-71½-11-71½	11-71½-11-71½	11-71½-11-71½	11-71½-11-71½	
Portuguese Esc.	79-90-81-10	79-90-80-05	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	14-52½-14-52½	14-53½-14-53½	14-53½-14-54	14-53½-14-54½	14-53½-14-54½	14-54-14-54½	
Danish Kr.	19-19½-19-48½	19-40-19-40½	19-40-19-40½	19-40½-19-41	19-41½-19-41½	19-41½-19-41½	19-41½-19-41½	
Norwegian Kr.	19-85-20-15	20-00½-20-00½	20-00½-20-01	20-00½-20-01	20-00½-20-01½	20-00½-20-01½	20-01-20-01½	
One Month Forward Rates								
United States \$	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	
Canadian \$	½-½ c. dis	½-½ c. dis	½-½ c. dis	½-½ c. dis	½-½ c. dis	½-½ c. dis	½-½ c. dis	
French Fr.	1½-3½ dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	
Swiss Fr.	2-1c. pin	2-1c. pin	2-1c. pin	2-1c. pin	2-1c. pin	2-1c. pin	2-1c. pin	
Belgian Fr.	½ pm-par	½ pm-par	½ pm-par	½ pm-par	½ pm-par	½ pm-par	½ pm-par	
Dutch Gld.	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	
W. Ger. D-Mk.	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	
Swedish Kr.	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	
Danish Kr.	3-16 pm	3-16 pm	3-16 pm	3-16 pm	3-16 pm	3-16 pm	3-16 pm	
Norwegian Kr.	16 pm-par	16 pm-par	16 pm-par	16 pm-par	16 pm-par	16 pm-par	16 pm-par	
	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	16 pm-16 dis	



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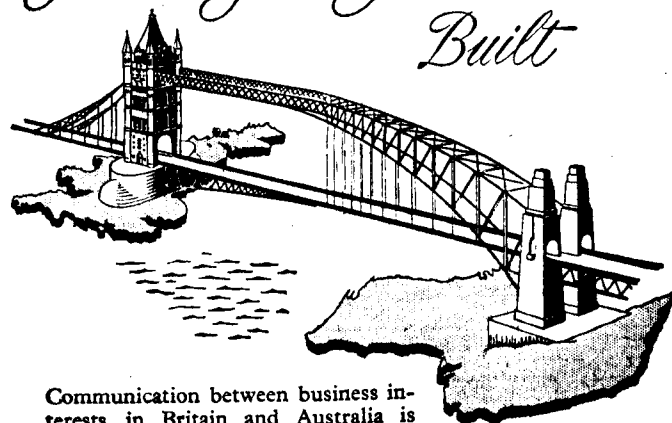
Total Assets £181,183,000

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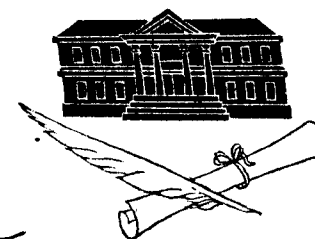
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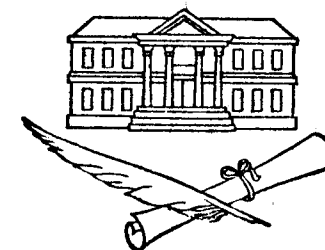
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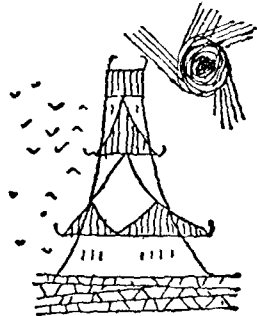
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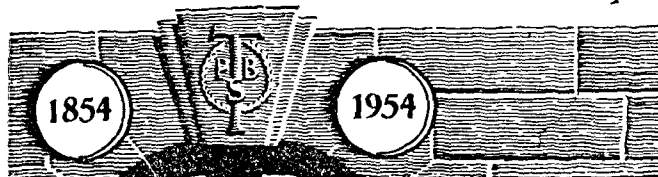
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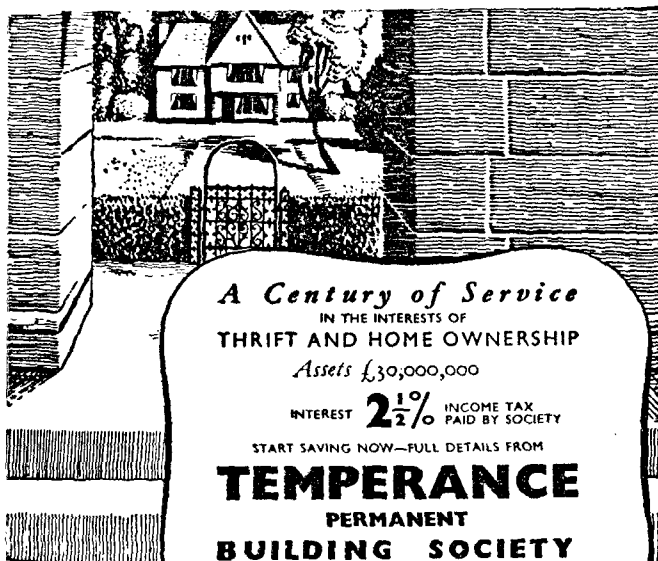
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NOTICE OF OFFER FOR SALE

CANADIAN AND ENGLISH STORES LIMITED

(Incorporated under the Companies Act, 1948)

Authorised:	SHARE CAPITAL	Issued:
£500,000 in 2,500,000 25 per cent. Non-cumulative Preference Shares of 4s. each		£500,000
£250,000 in 1,250,000 Preferred Ordinary Shares of 4s. each		£250,000
£250,000 in 1,250,000 Deferred Ordinary Shares of 4s. each		£250,000
£1,000,000		£1,000,000

(No Company in the Group has any outstanding Mortgages, Debentures, Loan Capital or Bank Overdraft).

Offer for Sale by

WHITEHEAD INDUSTRIAL TRUST LIMITED

of 1,250,000 Preferred Ordinary Shares of 4s. each at 22s. per Share

(ranking for the full amount of all dividends thereon in respect of the year ending 31st January, 1955).

DIRECTORS:

THE RIGHT HON. LORD MILNER, P.C., M.C., T.D., D.L., LL.D., Summer Hill, Roundhay, Leeds 8 (Chairman).
HARRY BROOKS, Rocklands, Bollin Hill, Wilmslow, Cheshire (Managing Director).
NORAH BROOKS, Rocklands, Bollin Hill, Wilmslow, Cheshire (Director of Pooles Central Warehouse Limited).
HYMAN CASSELL, 16 Harrod Drive, Birkdale, Southport, Lancashire (Managing Director of Pooles Central Warehouse Limited).

BANKERS:

MIDLAND BANK LIMITED, Stockport Road, Levenshulme, Manchester 19.

SOLICITORS:

To the Offer: RICHARDS, BUTLER & CO., Trafalgar House, 11 Waterloo Place, London, S.W.1.
To the Company: HALL, BRYDON & CO., 56a Mosley Street, Manchester 2.

ACCOUNTANTS REPORTING TO WHITEHEAD INDUSTRIAL TRUST LIMITED:

FRANKLIN, WILD & CO., Orient House, 42-45 New Broad Street, London, E.C.2. Chartered Accountants.

AUDITORS:

F. W. POPPLEWELL AND SON, 48-50 Mosley Street, Manchester 2. Chartered Accountants.

BROKERS:

KEITH BAYLEY & RIGG, 15 Copthall Avenue, London, E.C.2, and The Stock Exchange, London, E.C.2.

SECRETARY AND REGISTERED OFFICE:

RICHARD OGDEN, A.C.A., 2-40 Station Road, Wigan, Lancashire.

REGISTRARS AND TRANSFER OFFICE:

WHITEHEAD INDUSTRIAL TRUST LIMITED

Mitre House, 177, Regent Street, London, W.1.

Licensed Dealers in Securities. Directors: A. J. Whitehead, J. D. Kyle, C.A.

The Offer for Sale shows (inter alia) that:

1. The Company owns the whole of the Shares of Pooles Central Warehouse Limited and of the Common Shares of M.R.A. Holdings Ltd. These Companies, either directly or through subsidiaries, carry on in England and Canada the business of departmental Store Proprietors and House Furnishers.
2. The net profits of the Group for the year ended 31st January, 1953, calculated on the basis stated in the Accountants' Report and subject to taxation, were £391,273 or, after charging Directors' emoluments and Registrars' Fees in accordance with the arrangements now in force, £364,225. On the basis of the interim monthly accounts of the Companies included in the documents open for inspection under the Offer for Sale the net profits of the Group for the year ended 31st January, 1954 (subject to taxation) will be in excess of £500,000.
3. The Directors, after consultation with the Auditors and in light of the information shown by the monthly accounts, are satisfied that the audited accounts for the year will show a net profit of not less than £500,000 (subject to taxation) as compared with the estimate of £450,000 made in the Offer for Sale in November last.
4. In view of the expansion which has taken place during the last few months and of the further expansion which is anticipated to result from the loans Mr. H. Brooks has contracted to make, the Directors estimate that, in the absence of unforeseen circumstances, the net profits of the Group for the year ending 31st January, 1955, calculated on the same basis as for the previous year, will be not less than £700,000 (subject to taxation).
5. If this estimate of profits for the year ending 31st January, 1955 is realised, the Directors, in the absence of unforeseen circumstances, will recommend the payment of the non-cumulative dividend of 60 per cent. (less tax) on the Preferred Ordinary Shares for the year, and will also consider the payment of an additional dividend on such shares. The Directors intend to pay, on account of the non-cumulative dividend of 60 per cent., an interim dividend of 30 per cent. actual (less tax) in the month of October next.
6. At the offer price of 22s. per share the Preferred Ordinary Shares show a yield of 10.9 per cent. on the fixed non-cumulative dividend thereon.

The list of applications will open and close on Thursday, 1st April, 1954.

10A

CANADIAN AND ENGLISH STORES LIMITED

Copies of the Offer for Sale (on the terms of which alone applications will be considered) and Application Forms can be obtained from your Stockbroker, Midland Bank Limited, New Issue Department, Poultry, London, E.C.2, and Branches, or

Whitehead Industrial Trust Limited,
Mitre House, 177, Regent Street, London, W.1.

SURNAME.....

CHRISTIAN NAME(S).....

ADDRESS IN FULL.....

THE BOWATER ORGANISATION



AT THE ANNUAL GENERAL MEETING of The Bowater Paper Corporation held at Sittingbourne, Kent, on the 18th March, 1954—attended by a record number of shareholders who subsequently toured the Kemsley Mills—the Chairman, Sir Eric Vansittart Bowater, reviewed the affairs of the Organisation.

Commenting that the Accounts of the Corporation and its subsidiaries disclosed a very strong financial position, Sir Eric said it might perhaps be thought by some that the proposals with regard to an Ordinary dividend were lacking in generosity, but in continuing the established conservative policy in this connection regard had been had amongst other considerations for the outstanding Options for a further 1,800,000 Ordinary Shares exercisable by May 31st of this year, for the necessity of maintaining the many plants to an entirely up-to-date and competitive level, and on this occasion the alteration of the date to which the accounts are made up, which would now coincide with the calendar year.

Although not previously the practice to pay interim dividends, in view of the current financial period now being extended to 15 months it would be the intention on this occasion to pay an interim dividend during the latter part of this year, provided the earnings at the relative time justify that course. The continuance or otherwise of paying interim dividends thereafter would be considered in the light of the then prevailing circumstances and conditions.

Sir Eric also announced that subject to the consent of the authorities it would be proposed, after completion of the forthcoming issue of new capital under option, to distribute to shareholders by way of a scrip dividend some part of the now very substantial reserves of the Corporation on the basis of one new £1 Ordinary Share for every £3 Ordinary Stock then held.

In the maintenance of a leading position in the industry, the organisation had, in the years since the end of the war, spent or would be spending on development and expansion throughout the world approximately £45 million, of which only some £24 million had been provided by the issue of new capital—mainly in respect of the new mills in Tennessee which would come into operation in May next—and the balance of this expenditure had been or, it is expected, would be provided out of the Organisation's own resources.

The Organisation as a whole entered the new year with full order books; indeed the production of all its mills, including the new mills in the United States, had been sold for some long time ahead, mostly under long term contracts. Prices for both finished products and raw materials would seem to have reached a reasonable degree of stability, whilst preliminary figures in respect of the current financial year show their earnings to have been maintained at a reasonable level, and if these conditions continue, as they well may, the Organisation might justifiably look to the future with some confidence.

The Bowater Paper Corporation Ltd and Subsidiary Companies

Summary of Profits for the year ended 30th September 1953

1952 £		£	£	
4,974,150			6,314,926	
3,017,114	60.7%		3,284,509	52.0%
220,485			376,084	
1,136,418	27.2%		1,852,988	
52,887	1.1%		2,229,072	35.3%
263,746	5.3%		213,002	3.4%
283,500	5.7%		271,543	4.3%
£4,974,150			£6,314,926	5.0%

Summary of Net Assets as at 30th September 1953

1952 £		£	£
23,212,002			35,631,955
31,421,392			
17,345,683			
14,075,709			
£37,287,711			16,755,244
6,400,000			£52,387,199
5,730,123			
1,825,129			
1,244,935			
8,530,395			
517,260			
24,277,842			
10,106,363			
2,903,506			
£37,287,711			

REPRESENTED BY:

Preference and Ordinary Capital of the Corporation	6,400,000
Preference Capital of subsidiary companies	5,782,410
Capital Reserves	2,375,570
Sterling Exchange Conversion Account	1,349,687
Revenue Reserves and undistributed Profits	10,177,854
Reserves for future Income Tax	1,357,500
Loan Capital—secured	27,443,021
Unsecured Notes and Loan Stock	17,036,358
	7,907,820
	£52,387,199

STEEL COMPANIES, LIMITED

REVERSION TO PRIVATE OWNERSHIP

COMPANY'S WIDE VARIETY OF PRODUCTS

POLICY OF IMPROVEMENT AND DEVELOPMENT

SIR WALTER BENTON JONES ON EXPORTS

The thirty-fifth annual general meeting of The United Steel Companies, Limited, will be held on March 29th at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

The following is the statement of the chairman, Sir Walter Benton Jones, Bt, which has been circulated to shareholders:

At the time of the last annual meeting the company had only one shareholder—namely, the public authority called the Iron and Steel Corporation of Great Britain. Now it has about 30,000. Of these, probably some 5,000 have been shareholders before, but the remaining 25,000 are new.

AN HISTORIC EVENT

The reversion to private ownership makes this thirty-fifth annual meeting an historic event. Moreover, many shareholders are newcomers and some may not even be familiar with company procedure. I may be excused, therefore, if I make my statement in a personal form, and if I repeat some things which are already known to former shareholders.

Every limited liability company is required by law to hold a general meeting of its shareholders once a year. At this meeting the directors are required to present accounts and a report of the past twelve months' working; they are also required to confirm the appointment of new directors, if any, made during the year, to reappoint directors retiring by rotation and to appoint auditors for the ensuing year.

The directors are appointed by the shareholders and the chairman is chosen by the directors themselves from their own number. The chairman presides at general meetings of shareholders, and it has become a custom for him to give a verbal address at its annual meeting, or more recently to issue a statement in writing beforehand about the company's affairs, and to express views on general topics which may affect the company's business.

The Iron and Steel Act, 1953, transferred on July 13, 1953, all the securities of iron and steel undertakings held by the Iron and Steel Corporation of Great Britain to a new body called the Iron and Steel Holding and Realisation Agency. It is the duty of the Agency to restore all these undertakings to private ownership. Since the accounts were closed on October 3, 1953, our company has been so restored. It was among the very first to be restored. Our ordinary shares were offered for sale on October 23, 1953, but it was not until the last instalment of the purchase price had been paid on January 28, 1954, that the number of holders could be finally ascertained and a beginning made of entering their names and holdings in the company's register. The number was approximately 30,000. To register such a large number of shareholders and send them 21 days' notice of a meeting takes time and

this is why the meeting is later than it would be in normal circumstances.

SHARE AND LOAN CAPITAL

The following is the form of our share and loan capital as reconstructed on October 23:	
14 million ordinary shares of £1 each, fully paid	14,000,000
Old Preference shares:	
5,097,000 4½ per cent cumulative preference shares of £1 each, fully paid	5,097,000
New Preference shares:	
4 million, 5½ per cent redeemable cumulative preference shares of £1 each, fully paid	4,000,000
£10 million 4½ per cent debenture stock, 1968-78, £23 per cent paid	2,300,000
	£25,397,000

The ordinary shares, and with them the voting power, are now all in private ownership. Both classes of preference shares and the debentures are still in the ownership of the Agency.

The directors' report which you have already received tells you what the output of primary products has been and comments on the accounts and the disposal of the surplus resulting from the year's operations.

NINETEEN YEARS' PROGRESS

The offer for sale dated October 23, 1953, included a copy of a letter from me addressed to the agency. This letter gives a short history of the company's development policy, capital expenditure, working capital, profits, and prospects. It is so recent that I need not go over the ground again now, but for your convenience I attach a copy of it.

As you will see from the letter, the most interesting feature of the company's affairs is the development since 1935, 19 years ago. There would have been considerable development in the ordinary course, but rapid growth in the demand for steel has called for large extensions.

It is perhaps not generally appreciated that until 1936 steel production in the United Kingdom had never exceeded 10 million tons. In 1953 it was 17,609,000 tons, which is three-fourths more than in 1936. This bare statement of the increase in production of crude steel is only part of the picture. Raw materials and every stage of operations up to the finished products have been correspondingly expanded. Our works have taken part in this expansion and, like many other iron and steel works, they bear little resemblance to what they were 19 years ago.

SPECIAL FEATURES

The name of our company tells you that we are makers of steel, but I would like you

to know more than this. There are four main and special features about our company. First, our operations have been rationalised—that is to say, each works specialises in different products. Secondly, by far the greater part of our iron ore comes from quarries and mines at home which we own and work ourselves. And although we no longer own coal mines we make nearly all the coke used at our own iron works, and in making it we provide very large quantities of a variety of products which result from the carbonisation of coal. Thirdly, we are one of the largest makers of alloy steel—that is, special high-class steel, including stainless steel. Fourthly, we make a large variety of products.

You will find these features elaborated in my letter, but I feel sure you would be interested to learn more about the variety of our products. Iron and steel are household words, but by themselves they mean no more than coal or wood or stone. No steel works turn out just steel, all work it up into some forms of semi-finished or finished products. Our company has a number of works and among them they turn out many varieties of products, some large and heavy, some small and light and some very small—for example, wire much thinner than a hair. It also recovers and turns into useful channels many products which are neither iron nor steel but which arise out of the process of making iron and steel, including the making of coke. Apart altogether from steel-making we own and operate large engineering works.

A list of products with no indication of their uses lacks interest and so I am also attaching a simple story about the uses of some of our products written by a member of our staff. Much of the story illustrates the uses of steel generally, but it is an attempt to illustrate in addition the uses of many products in which we specialise. I hope you will read it.

Everyone should realise how much steel contributes to our everyday life and how the making of many things begins with steel already partially processed by steel makers.

It follows that steel makers should be free to develop and exercise their ingenuity and skill not only to secure economy in what they are doing now but also to keep on adding to and improving their products. Imagination and ideas originate in individuals; they fructify more easily and more quickly in an atmosphere of perfect freedom.

What I have told you so far and what you can read in my letter tells you about our present state. The remainder of my statement is about the future.

THE FUTURE

In the long view the demand for steel will continue to grow. More and more uses will be found for it; more and more people will use it. This is illustrated by

the growth of the production of iron (from which steel is made) since 1870 when it was surprisingly small. In 1870 the world production of iron was just under 12 million tons. In 1953 it had grown to more than 163 million tons.

Steel must remain the most important material in the world if for no other reason than that the raw material from which it is made, iron ore, is one of the commonest and the most easily smelted of all the metallurgical ores. "The earth giveth much mould whereof earthen vessels are made but little dust that gold cometh of." But we are concerned with the immediate future, and this depends upon the country's need and its ability to sell abroad.

NEED TO EXPORT

We are told that we must export more and more to pay for imports of food and raw materials and so maintain the standard of living we have voted ourselves. The Chancellor in his Budget speech of 1952 put the increase required in the export of goods at around £300-£350 million per annum, and this is now regarded as the actual surplus on our overseas current account which is needed to provide for our commitments and for some increase in the gold reserves.

It is essential that all engaged in industry should understand what this figure means. We are so accustomed to hearing and reading of millions of pounds that large figures alone may mean little.

Perhaps it would help you to appreciate how large £350 million is if we compare it with the capacity of our own company. We employ 30,000 people who, with equipment which cost nearly £60 million, produce 24 million tons of steel a year. We spend £52 million on raw materials, supplies, services, and general trade expenses, including delivery charges. When the raw materials have passed through our works they emerge as steel products worth £80 million. Thus, it can be said that we add £28 million to their value by our efforts, and that this £28 million is an addition to the country's wealth. On this showing, it would take about a dozen United Steel Companies, all working full time, to add the £350 million we are talking about in the form of goods.

INCREASED PRODUCTION ESSENTIAL

Of course, this does not mean that the country should try to settle the national account wholly by exporting steel. It is not in the country's interest that we should export all our steel in the form in which it leaves our works at a value of, say, £35 a ton. If we look at the trade and navigation accounts we find that about a million tons of machinery was exported in 1953, most of which consisted of steel in one form or another, and brought in over £400 million of much-needed foreign exchange. The value of the steel has been increased, but only by the use of manpower, and it is manpower that is especially scarce. If, however, we say that £350 million is the value created by a dozen United Steel Companies, this would mean employing another 360,000 men and £720 million worth of capital equipment, neither of which is readily available. Even if it were possible to use every man registered as unemployed it still would not give us the men we would need. Clearly, therefore, we can only get our increase of £350 million if we all produce more somehow.

Whether the sum required is £350 million or some other figure, it has to be provided by increased production. We cannot add this cost to the price of things we export because foreign buyers would not pay, and as our labour force is fully occupied we must all produce more without increasing the number of persons employed.

ABILITY TO EXPORT

Much is being said about foreign competition as if it were new. But other things have to live. Foreign competition is a thing and it is coming from the same quarters as of old. We have held our own before and we can hold our own again.

We hear a lot about long deliveries. This is not a reflection on British efficiency as is so often supposed. We are being told almost daily that we cannot hope to sell unless we can give prompt delivery, or at any rate as good as other countries offer. For some years we have been unable to offer quick delivery for the very simple reason that our order books have been so full that buyers have had to await their turn. Obviously, countries which have been out of the market for a time but are now able to manufacture again are in need of orders and can promise immediate delivery. If our orders become less we shall catch up with deliveries and we shall be able to offer quicker delivery for new business.

Then it is said that our people do not work as hard as their fathers and grandfathers. Is this said because they have more amusements and more recreations? But is it not part of a higher standard of living, for which we are all striving, that we should have more recreation? And is recreation inconsistent with hard work? Surely it is not. The assertion that the modern generation does not work as hard or as earnestly as previous generations is irritating to the industrious and fails to stimulate the lazy. Moreover, it gives a wrong impression to foreign buyers. But it is not true. In our own works we can say with emphasis that among the younger men as well as among their elders there is just as much interest in their work, just as much application and just as much imagination as ever there was, and there can be no reason to suppose that in this respect our works are any different from other steel works or for that matter any other kind of works.

LARGER OUTPUT PER PERSON

We see then that the need to produce more goods to be used for export in order to pay for our imports of food and raw materials is a matter of arithmetic and cannot be disputed. The ability to do this depends upon the rate at which we work and the money we can spare to make new machinery, and upon a larger output per person employed. But it takes time and costs money to make new machinery and so our ability to increase exports quickly depends upon a quick increase in output per person—greater productivity as it is called nowadays. The call for greater productivity is not just passing the buck on to those who work with their hands. It does not necessarily mean more sweat; what it really means is the full and better use of time. If each of the 22 million in civil employment in the United Kingdom and those who manage and steer them were to save or employ to better advantage 14 pennyworth of time every day, and this could be applied to production, we would create £350 million more wealth each year.

In the postwar years throughout the country large sums have been invested in new plant and improvements to existing plant, and in many industries we are well equipped to compete in foreign markets; but there is more to do, there always is, and in the meantime all have to concentrate on producing the maximum our plants are capable of producing.

So far as our company is concerned, we believe our plant and our resources are in good shape, but we shall continue to follow a policy of improvement and development.

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Although the eighth annual dividend of £16,159 lower than the previous year, the total dividend of £749,479 is the highest in the group. This result is due to a smaller charge for taxation.

After providing for the preference dividends and ordinary dividends of 25 per cent, which together absorbed £195,684 (net), there remains the sum of £553,795 for appropriation.

Your directors decided to add the sum of £350,000 to general reserve, bringing it up to £1,850,000, and to recommend further strengthening the auxiliary pension fund by £50,000.

There remains £153,795 to add to the balance of profit and loss carried forward, bringing this to a total of £956,744.

The totals of the current assets and liabilities in the consolidated balance sheet are still substantial and reflect the high level of activity during the year. The overall picture is one of considerable strength.

CHANGING CONDITIONS

Although the overall results are gratifying, several of the group's activities have been adversely affected by changing conditions.

The general slackening of demand for coal has created a buyers' market which has affected the turnover of our coal department. A trend towards oil burning has caused a decline in demand in several of the traditional markets for South African coal.

The profits of our London Shipping Companies were on a lower scale than in the previous year, and unfortunately freight rates have remained very low and show no signs of improvement in the near future.

Temperleys, Haslehurst and Company, Limited, London, and our engineering subsidiary, Alldays and Onions, Limited, of Birmingham, have more than maintained their positions during the year, but our other companies in the United Kingdom, and particularly the trading sections of the parent company and our wholly-owned subsidiary Alexander Young (London), Limited, have experienced less favourable conditions.

A reduction of trade in some territories has been compensated, fortunately, by improvements elsewhere. Our companies operating abroad have again contributed the major portion of the group's income. Activities in Southern Africa in particular have continued to progress and expand, and I anticipate satisfactory trading from them in the current accounting year to June 30, 1954.

As announced on December 18th last, the directors decided subject to the requisite resolution being passed at the annual general meeting, to capitalise £243,000, part of the amount standing to the credit of the share premium account, by the issue to holders of ordinary shares registered as at the close of business on March 23, 1954, of one ordinary share of 5s. credited as fully paid for every five shares held. Consent from the Capital Issues Committee has been obtained.

I believe that our organisation is capable of overcoming existing and foreseeable difficulties, and is flexible enough to adjust itself to changing conditions and to make good use of any opportunities for suitable expansion.

THE ASSURANCE COMPANY

AS EXCEED £125 MILLION

INTERMEDIATE BONUS INCREASED

MR G. P. S. MACPHERSON'S ADDRESS

The eighth annual meeting of the Standard Life Assurance Company, held in Edinburgh on March 15, 1954, was presided over by Mr G. P. S. Macpherson, OBE, TD, CA, in the chair.

The general manager and actuary having read the auditor's report, the chairman said:

My Lord, ladies and gentlemen,—May I take it to be your wish that the directors' report, which is in your hands, be held as read?

FUNDS AND INCOME INCREASE

I am sure you will agree that the report and accounts now before you give an encouraging picture. The new life assurance business written last year amounted to £35,601,000, a figure which for the eighth successive year constitutes a record in the history of the company. Included in this sum is a total of £17,333,000 of group life assurances. Our new annuity business, at £8,562,000 per annum, also constitutes a record.

In the revenue account of the life assurance and annuity fund, you will see that our premium income has increased by over £2 million as compared with the previous year and now amounts to over £17,500,000. As a result our expense ratio, that is the ratio of commission and expenses of management to premium income, is at the very low level of 8.6 per cent. This compares with last year's ratio of 8.9 per cent, which itself was the lowest ever achieved in the history of the Company, so that the further reduction to 8.6 per cent cannot but be a matter for satisfaction.

Our interest income, amounting to over £4,700,000, has also shown a substantial increase and represents a net rate of interest on the fund of 4 4s. 11d. per cent, an increase of 3s. 8d. per cent over the rate earned in the previous year.

In the balance sheet you will see that the book values of our total assets, at over £125 million, have increased by more than £14 million over the previous year's total. During 1953 a substantial rise took place in the value of Stock Exchange investments generally, so that the margin between the market values and book values of our assets is now much greater than it was in November, 1952.

40 SHILLINGS PER CENT INTERMEDIATE BONUS

A year ago we were reviewing the results achieved by the company for the triennium ended November 15, 1952. In spite of the low level of Stock Exchange values at that time, the great strength of the company enabled your directors to increase the rate of compound reversionary bonus from 33s. per cent to 37s. 6d. per cent for each year of that triennium. They also stated that until further notice the rate of intermediate bonus would be at this higher figure. The next full declaration of bonus falls to be made as at November, 1955, but in view of the excellent results shown by the company in this first year of the new triennium, the directors have decided to raise the rate of intermediate bonus from 37s. 6d. per cent to 40s. per cent. The new

rate will apply as from March 15, 1954, in respect of the period since November 15, 1952: this will allow those policies which become claims before the end of the present triennium to receive a further share in the prosperity of the company.

MILLARD TUCKER REPORT

The outstanding event relating to life assurance business in this country since I last addressed you has been the recent appearance of the Millard Tucker Committee's Report on the Taxation Treatment of Provisions for Retirement. The Committee has dealt fully and in detail with a very difficult subject in a way which compels admiration. It has exposed with great clarity the existing anomalies, although it must be confessed that in some passages of the Report complete consistency appears to have been achieved only at the expense of administrative simplicity. When, and to what extent, legislation based on the Committee's recommendations will come into force we do not know. However, all whose retirement benefit schemes we already administer can be assured that when the time comes we shall do all we can to enable them to bring their schemes fully into line with any new legislation. We expect, also, to be able to offer attractive contracts under the new arrangements to those who have hitherto been precluded from making full provision for their retirement.

MINIMUM PREMIUM PLAN

Apart from the retirement benefit side of our business, we are anxious that people should not lose sight of other requirements for which life assurance is necessary. People marry and want to buy houses—we can help them in this, both by advancing part of the purchase price through our affiliated company, The Heritable Securities Association, and by arranging for repayment of the loan by means of a policy effected with the Standard. People raise families and require life assurance to protect them and provide for their education. Partnerships continue to be formed and life assurance is required to provide for payment to the heirs of a deceased partner. Life assurance is still the most satisfactory method of providing for payment of death duties. Life assurance as we have known it for generations will continue to provide, as in the past, the cheapest, the most satisfactory and sometimes the only answer to a wide variety of financial problems.

When effecting a life assurance policy, however, a man may be in a dilemma. He has to decide whether he will take a policy which shares in the profits of the company, or one which does not. It may be that there is only a limited amount of money available and he requires the greatest cover which this money can afford, in which case his selection would be a without profits policy: on the other hand, his knowledge of the bonus prospects of the company may lead him to believe that in the long run it would be to his advantage to effect a with profits policy even although it gives less initial cover. Prior to the last war the Standard helped to meet the diffi-

culties involved in selection by issuing a contract which combined the merits of both types of policy. The premium was only slightly higher than the without profits premium but the policyholder received an appropriate share in the profits of the company. Circumstances brought about by the war necessitated our withdrawal of this most useful scheme, but we have now decided to reintroduce it in this country in a slightly different form. We believe that this policy, which will be called the "Minimum Premium Plan," will exactly meet the needs of many types of proposer.

OVERSEAS EXPANSION

Our business overseas continues to expand. Canada, the largest of our overseas organisations, produces a considerably higher proportion of our business than formerly. Our Canadian funds now exceed \$100 million.

Our two other active overseas organisations, in the West Indies and in Uruguay, are also expanding.

INVESTMENT IN INDUSTRY

This year for the first time the assets of the company exceed £125 million. The Standard was established in 1825 and celebrated its centenary in 1925 by becoming a mutual company. During the past year our funds have increased by an amount equalling the total size of the company at the time of mutualisation. Of those growing funds a significant part is applied by the directors in assisting British industry to obtain the equity capital which is vital to this country's economy, and as you will observe from the balance sheet the Standard has now a substantial sum invested in ordinary stocks, largely in British industry. The fortunes of some 350,000 policyholders are bound up directly with the prosperity of the Standard. To all of them everything that affects the Standard is of importance, and in particular the profitable investment of the company's funds. To all of them the efficiency, profitability and dividends of the companies in which we are invested are matters of concern. From the profits flow the dividends and, when British industry is busy and profitable, the resulting increases in dividend improve the rate of interest earned on our funds. The favourable rate of interest earned on our funds last year, to which I referred earlier, enhances the security behind all our contracts and is a major source of the surplus accruing to our with profits policyholders.

You will wish me before I close to pay tribute to all members of our staff—to those in the field engaged in fostering and extending the company's connections and to the inside staff who give them such able support. I do so with very great pleasure; for only by their active and efficient co-operation could the results shown in the report have been achieved. I am certain too that all members of the staff at home and overseas would wish to acknowledge their debt to Mr Reid, our General Manager, Mr Döw, his chief of staff, and the other officials of the company for wise guidance, technical skill and consideration of their interests.

Congratulations and thanks are also due from policyholders. However strong the present financial position of the Standard is, its strength as a continuing company depends upon the quality of its management; in that respect the directors are confident that those

insured with the Standard served. I now move the formal report, revenue accounts and submitted. The report was adopted.

SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

RECORD NEW LIFE BUSINESS

The one hundred and twenty-eighth annual general meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on March 24th, Sir Lynden Macassey, KBE, QC (President of the Society), presiding.

In moving the adoption of the report and accounts, Mr J. B. Findlay, DL (chairman of the ordinary directors), said that once again the Society had achieved a record figure for new "ordinary" life assurance business—almost £8 million of new sums assured (after deduction of reassurances)—and that the clearest measure of the growth of the Society's group business in recent years was provided by comparing the group life sums assured in force at the close of 1953 (£18,400,000) with those in force three years previously (£8,500,000)—and by making a similar comparison between the premium income for group pension business which now exceeded £2,200,000 per annum and was rather less than £1 million per annum three years ago. The total premium revenue amounted last year to almost £5 million and showed an increase of £625,000 over the premium revenue for 1952. Similarly, the total funds at the close of the year amounted to almost £34,500,000, having risen by approximately £4 million during the year under review. During the three years which had elapsed in the present quinquennium, premium revenue had increased by more than 80 per cent, while the Society's funds had risen by more than 40 per cent. 1953 had been a most successful year for the Society. Interest earnings had risen, the rising trend of expenses relative to the growth of business had been reversed, and mortality experience had been exceptionally favourable. The Society's rate of interim bonus had been increased as at July 1, 1953, to 35s. per cent per annum compound, and it was already clear that this rate of bonus was fully covered by the profits earned during the first three years of the present quinquennium. The hope was expressed that, if present trends continued, the bonus declaration two years hence would prove most satisfying to all the Society's participating members.

THE MILLARD TUCKER REPORT

A few weeks ago there was published the report of the Millard Tucker Committee on the Taxation Treatment of Provisions for Retirement. Among the various matters considered by this committee, the one which had aroused most interest was the possibility of allowing to self-employed persons, to controlling directors and to part-time directors taxation concessions, similar to those available to employed persons, for setting aside out of gross income the sums required to provide pensions for their later years. While the committee were not unanimous in their views on this matter, the majority recommendation was in favour of allowing full relief of income tax and surtax on premiums paid, within certain prescribed limits, to secure deferred annuities commencing at a selected pension age. The benefit would take the form of an annuity and, apart from permission to commute a portion (normally one-quarter) of this annuity for a tax-free

lump sum, the annuity would require to be non-assignable and non-commutable. These proposals, if they were implemented, would clearly be of great value to a large number of directors and self-employed persons who found themselves unable to provide, out of taxed income, for eventual retirement. On the other hand, many of those affected by these proposals might regard it as unwise to place their savings beyond their reach in times of need or emergency—as would be the case if these savings were from the outset invested in a non-assignable and non-commutable annuity. The alternative course open to those who held this view was to provide for their retirement in the traditional way of effecting an endowment assurance, and by applying the proceeds, if they wished, to secure an annuity commencing on retirement. This alternative course would attract the substantial degree of income tax relief normally allowable on life assurance premiums and would leave the policy entirely free of any "tie" or taxation liability in respect of the proceeds at maturity. Even when the proceeds of the endowment assurance were applied to purchase an annuity, the Millard Tucker Committee unanimously recommended that such an annuity should in future be taxable only on its "interest content," which was unlikely to exceed one-third of its annual amount. For this reason it would seem that the traditional approach to the personal pension problem had greater merit today than ever before for many categories of self-employed persons.

RETIREMENT PROVISION A PERSONAL PROBLEM

The majority recommendations of the Millard Tucker Committee in relation to directors and self-employed persons applied to retirement provision and not to life assurance, in the normal sense of the term. Thus, even if these proposals were implemented, there was no valid reason why the provision of family protection should be delayed, even by those who intended to adopt the "Millard Tucker" approach to pension provision if this became available at some future date. Directors and self-employed persons might well feel confused at this present juncture by the uncertainties of their future position so far as retirement provision was concerned, and the Society's branch officials throughout the country would be very pleased to discuss the problem in all its aspects as affecting any individual case. This was, after all, a very personal type of problem and no generalised solution could possibly be found. Apart altogether from its possible effect upon the self-employed, the Millard Tucker Report might have major repercussions on many aspects of the Society's business. Thus, for instance, the committee recommended considerable changes in the law and practice relating to retirement benefit schemes of every type. Comment on these recommendations might well be reserved until the form of any subsequent legislation was known, but it was to be hoped that uncertainty might be removed by an early announcement of the Government's intentions in this respect. One recommendation, however, to which reference had already been

ch only ment was hoped, to implemented.

The report and accounts ..

HASTINGS & THANET BUILDING SOCIETY

The annual general meeting of the Hastings and Thanet Building Society was held on Thursday, March 18th at the Queen's Hotel, Hastings.

In moving the adoption of the report and statement of accounts for the year ended December 31, 1953, Mr Harold Lester, JP (the chairman), said: The accounts show that our financial edifice rests upon a firm foundation. Our assets have increased to over £16,400,000, and last year we advanced over £2,470,000 to aid home ownership. Our reserves have been strengthened by over £50,000, the total being greater than £900,000. These figures speak of strength and stability. This has been appreciated so much that during the year we were entrusted with over £2,500,000 for investment and safe keeping.

It should be borne in mind that all the money which flows into building societies for use in house purchase for owner-occupation makes for a reduction in those heavy subsidies, which for each single dwelling house, built by the local authority to let, commits the taxpayer and the ratepayer to more than £2,130 over the subsidy period of 60 years.

Lord Mackintosh, chairman of the National Savings Movement, remarking upon the £1,500 millions saved by building society members, said: "It is still true to say that money is as safe as a house."

In seconding the motion, Mr Henry J. D. Fuller (the deputy chairman) said: I would like to emphasise the highly satisfactory number of applications for loans on new houses which the society is now handling. The freedom which the Government has given to the people to have a house built to their own design and requirements has been readily exercised by them, and building societies welcome the restoration of the opportunity to channel savings into homes.

The possibility that a scheme of guarantee, sponsored by the Government with the aid of local authorities and building societies, will be brought to fruition, is already engaging the closest attention of the board. Such a scheme, continued Mr Fuller, would give prospects to many potential home-owners possessing only a modest capital stake. Any expansion in this direction, however, will need to be matched by an expansion in the volume of savings entrusted to building societies. For a variety of very good reasons, building societies today are acclaimed by people in all walks of life and of all shades of political opinion as one of the finest mediums for the investment of sums both large and small.

The report and accounts were adopted and the reappointment of auditors was confirmed. The meeting terminated with a vote of thanks to the management and staff, agents and solicitors.

meeting of the church Street, showing are extracts from the statement by the chairman, Sir John Hay:

LABOUR

Experiments, particularly in the postwar period, have served to demonstrate so far that there is very limited scope for the mechanisation of rubber estate operations. Advance towards a more economic disposition of labour has been made by way of changes in methods and improvements in organisation. Within the history of this company very substantial economies have been effected in this direction and today labour requirements for a given acreage are about one-third of what was formerly thought to be necessary. But this saving has been offset to a considerable extent by the quite legitimate raising of the standard of living of labour, and consequently money spent on wages and labour amenities still bulks very largely in total expenditure. In these circumstances it is inevitable that rates of wages, subject to the overriding consideration of their not falling below a certain minimum, must be related to the price of rubber. To act otherwise would be in the interests neither of labour nor of the industry. Wages divorced from the price of rubber would be either too low to do justice to labour in a time of prosperity or be so high as to be uneconomic in a time of adversity. It is unfortunate for those engaged in this industry that its fortunes are so notoriously variable, necessitating frequent adjustments in wages with all their unsettling effects. While rubber was rising in the years 1950-51, we went through the process, agreeable to all parties, of adjusting wages upwards, but when the price took a downward turn and fell from a height of 73d. to 16d., we had to follow the much less agreeable course of adjusting wages downwards. The downward process has naturally been resisted by labour's representatives, but after discussion or resort to arbitration an acceptable settlement has on past occasions been reached. In respect of the last adjustment, however, the trade union representatives have sought to upset the arbitrator's findings, but the great bulk of labour has accepted the cut without complaint. Trade unionism is a postwar development in Malaya. It is something which has been imposed from without, rather than a spontaneous, upward growth from within, and perhaps it is not surprising if, when confronted with a difficult situation, it exhibits some of the shortcomings and weaknesses of a forced and unnatural growth. Membership of the employers' association and of the trade unions is voluntary. The preponderating majority of large estate owners is within membership of the employers' association, but the trade unions only embrace a minority of estate workers. Those who are interested in the relationship between labour and the industry should carefully note the following facts: that the present rate of wages being paid by members of the employers' association is quite substantially in excess of that being paid by estate owners outside the association; that adjustments in wages have only been in respect of cash payments; that labour receives on an improving and increasing scale payments in kind in the form of housing, medical

NTATIONS, LIMITED

MALAYAN RUBBER PRODUCERS

AL MEASURES FOR IMMEDIATE RELIEF

SIR JOHN HAY'S STATEMENT

services, maternity benefits and educational facilities. Among progressive employers these are supplemented beyond the requirements of the law by extended educational and recreational facilities, grants of land for growing vegetables, raising cattle, etc. It may be stated with some confidence that the established rate of wages now being paid and the general treatment extended to labour by progressive employers in Malaya equal, if not surpass, the best standards observed by any other rubber-producing territory. This paragraph on labour would be incomplete without a reference to the workers' staple diet.

RICE

In respect of this commodity a dramatic and, to the consumer, welcome change has taken place. From a prolonged postwar condition of shortage we have passed to a condition of abundance, and rice is now in surplus supply. Despite this change, the Malayan Government has decided to continue its control over the purchasing and distribution of rice and to take this occasion to build up what is officially and somewhat fancifully described as a "strategic stock." It is contended that this decision is a serious blunder, depriving the worker of the benefit of lower prices which should follow an abundance and continuing the high cost of living at a time when Government should be exerting itself to lower it. It is maintained, and with some show of reasoning, that the Government-to-Government purchases of rice are conducted on the Malayan side with a lack of a trader's shrewdness, that the cost of marketing and distribution is higher than it would be if it were conducted by private enterprise under competitive conditions; while the decision to build up a "strategic stock" is entirely misconceived, involving an extravagant expenditure of capital which Malaya can ill-afford.

THE OUTLOOK

With the termination of purchases for stockpiling, demand for rubber is now limited to consumptive requirements. Supplies of both natural and synthetic are more than adequate for normal needs, and consumers are not inclined to buy for stock. They are content to follow a hand-to-mouth policy. The terms of trade with America as between synthetic and natural have moved in favour of the latter. Whereas at the beginning of 1953 consumption of synthetic and natural was running at 60 per cent of the former and 40 per cent of the latter, consumers' purchases are now approaching a 50-50 basis. This would seem to suggest that natural rubber has reached a price level competitive with synthetic, and as long as supplies are plentiful the price of natural rubber is not likely to fall or rise significantly below or above its present figure. It is hardly surprising that such a disagreeable conclusion, with all its harsh implications, should not find a too ready acceptance, and that the belief should be entertained that shelter from the economic storm might be found under cover of some scheme which, by miraculous means, would raise the price of natural rubber without rendering it uncompetitive with synthetic. Recent events have given little encouragement to persistence in that belief.

For the natural rubber producer in Malaya the immediate prospect is particularly bleak. He has to compete with a Government-

owned synthetic industry in America which pays no taxes and is not regarded as being altogether free from the taint of subsidisation. He has also to compete with other natural rubber producers, such as Indonesia and Ceylon. The Indonesian Government, recognising the need for assisting the natural rubber producer, has for the time being suspended all charges for export duty, while Ceylon is sheltered from world prices through the medium of a barter agreement with China under which she enjoys for a considerable proportion of her rubber a price which is the equivalent of nearly double the present market price. For the Malayan producer there is no relief. On the contrary, his burden is made heavier by a savage increase in land rents—in our case to the extent of 85 per cent. If he has the misfortune to be registered in this country he has to continue to pay over 67 per cent of his profits in taxes. Although thus unfairly handicapped, he maintains a standard of living for his workers which does not fall below the highest of any other rubber-producing territory and out of his meagre residual resources he must, if he is to be efficient, strive to find the money necessary for the replacement of his old plantings with high-yielding stock. The Malayan rubber producer may well conclude that the Governments of Malaya and the United Kingdom are making demands upon him which are impossible of performance. The situation demands an immediate reduction in taxation. It is appreciated that Malaya has a heavy burden to carry in the form of expenditure on combating Communism, and expenditure during the period of the emergency has been very heavy indeed. But this is a burden which should not be placed disproportionately on creative enterprise. It is a burden which should be distributed fairly over the whole community. It is vain for the Government of Malaya or of the United Kingdom now to plead that they cannot afford any relief in taxation. The truth lies in the opposite direction, namely, that Governments cannot afford to continue taxation at its present level, to do so would permanently impair the competitive efficiency of Malaya's chief industry and imperil the whole economy of the country. The United Kingdom Government has not only its obligations to Malaya as a still dependent territory: it has also a beneficial interest in its dollar earnings. In 1951 Malayan rubber earned 320 million dollars. For 1953 estimated earnings fell to 85 million. This steep decline is accounted for mostly by the fall in price, but not wholly. Other territories, more far-sighted in rubber matters, have followed a course calculated to encourage rubber exports.

MEASURES FOR IMMEDIATE RELIEF

For the relief of the Malayan rubber producer there are a few very simple practical measures which should be taken immediately. They are:—

- a reduction in export duty to its historical rate of 2½ per cent;
- payment of such duty to be treated as if it were a payment of income tax in the computations for relief for double income tax.
- the removal of controls and restrictions in Malaya, other than those deemed necessary for security, which militate against a reduction in the cost of living.

HADFIELD'S LIMITED

SATISFACTORY RESULTS

The sixty-sixth annual general meeting of Hadfields Limited was held on March 25th at East Hecle Works, Sheffield, Lord Dudley Gordon, DSO, LLD, MIMechE (the chairman), presiding.

The following is an extract from his circulated statement:

The board is greatly strengthened by the appointment of Mr D. D. Hawley, MC, as a director of Hadfields Limited. As sales director he will control the department of which he has been a member for over thirty years and of which he has been the chief since 1951.

The report and accounts are of vital interest to every employee of the company because each one of them has by his daily work contributed as a team to the results which have been achieved and is dependent for his living on the successful combined effort of all. The complete document is therefore submitted to each employee of the company as in previous years.

The 1953 Act lays upon the agency the duty to secure the return to private ownership of the undertakings whose stock it holds. So far as Hadfields is concerned, it is too early to estimate when this operation will take place.

BURDEN OF TAXATION

The report draws attention to the accounts, particularly in the profit of £10,000 in the

period, the total for the year was up to expectations, though slightly below the previous peak.

Though the total orders received showed this slight decline, certain important specialities such as fully-hardened steel rolls, together with large composite back-up rolls, showed an increase.

KEENER COMPETITION

So far as the current year is concerned, it can be said that the contracts in hand together with those expected should keep the works fully employed. Provided a high level of productivity is maintained, results should continue to be satisfactory. It is of interest to report that figures given as to numbers employed in my last year's statement have been fully maintained and indeed slightly increased. The efforts required to secure new contracts will be severe and have to contend with the keenest competition in price, high quality and in promptness of delivery. This competition will be encountered particularly from foreign competitors many of whom are experiencing shortage of work and are making every effort to improve the quality of their products. It can be overcome only by the maintenance of a high rate of output coupled with the closest attention to detail to reduce cost and still further improve quality.

The report and accounts were adopted.

TEMPERANCE
PERMANENT BUILDING
SOCIETYMR CYRIL W. BLACK ON SOCIETY'S
PROGRESS

The one hundred and thirty-first annual meeting of the Temperance Permanent Building Society was held on Thursday, March 18th, at Caxton Hall, London.

A CENTURY OF SERVICE

Mr Cyril W. Black, JP, MP, FRICS, chairman of the Society, in the course of his speech, said: Vast changes have occurred in the life of the nation since William Shaen and his friends laid the foundations of the Society a century ago. Great as was their vision, they could hardly have conceived of the social progress that has taken place during this period, nor realised the extent to which the development of the Building Society Movement has assisted in raising the standard of living in this country. Not only have the conditions in housing improved to a remarkable degree, but the seeds then sown of independence, of self-help and of thrift have borne fruit, the value of which it is impossible to estimate.

Our Society has played a worthy part in this progress and we are proud to be able to claim that during the whole of this long and eventful period no one has ever lost a single penny as a result of investing in the Society.

INCREASE IN OUTPUT

The increase in the value of sales, which is the most important factor in achieving the improved profit, is due to a small extent to higher prices, but it is mainly due to an increase in output, and it is on increase of output that we must depend if we are to maintain our present position. It is clear that the maintenance of increased output must depend in the long run on a sufficient flow of new orders. During the latter part of the period under review there was some falling off in demand so that the value of orders received began to decline but the backlog of unfulfilled orders made it possible to maintain and increase the rate of output from the works. It should be added that though there was this falling off of the rate of orders received during the latter part of the

ASSETS EXCEED £30 MILLION

The year 1953 has been another one of modest expansion and, in the main, of consolidation. The emphasis has been upon strength rather than size. The total assets at December 31st last reached the record figure of £30,437,950, an increase during the year of £1,231,104. The amount standing to the credit of shareholders and depositors was £28,331,093, an increase of £1,088,097.

The development of our business makes it possible for us to continue to receive in-

vestments in either shares or deposits. Investments in the Society have the very great advantage of involving no expense either on investment or withdrawal; they can be realised at short notice and without fear of depreciation, the rates of interest are generous, and the security afforded unsurpassed.

The total amount advanced during the year was £3,475,540, of which approximately 77 per cent was in respect of mortgages where the advance did not exceed £2,000. The great bulk of our mortgage business is in respect of small properties, for which there is a ready demand, and which are not subject to excessive fluctuations in value.

RESERVE LIQUIDITY

Appropriation to general reserve, contingency account, total of these accounts and the balance profit carried forward to £1,750,106—more than 6 per cent of the aggregate share and deposit capital. Cash and investments at the end of the year exceeded £4 million, representing a very satisfactory degree of liquidity.

PERSONAL SAVINGS AND HOME
OWNERSHIP

We are now in a period in which house building everywhere has undergone a great impetus. Public attention is increasingly focused upon the problem as to what is the proper balance between local authority houses with subsidised rents and private enterprise houses which are built without subsidy and are usually offered for sale. Local authority houses are in many cases being occupied by families who could well afford to buy their homes, and whose rents are being subsidised by tax payers and rate-payers who are much less well off than they are. Every new local authority house carries a minimum subsidy of about £35 per annum, for sixty years—more than £2,000 per house to be provided out of the Surety fund.

ment should ensure, in some cases, that tenancies of council houses are only offered to families who really need them, and that, at the same time, increased facilities are made available for house purchase. A necessary step which the Government should take is to introduce a system of guarantees whereby credit-worthy families can purchase their homes with much smaller cash deposits than are at present required, the necessary mortgages being granted by the building societies, the excess over the normal loan limits being guaranteed by the Government and Local Authorities. Such a scheme, which, incidentally, I have been advocating for a number of years past, is now being discussed between the Government and the Building Society Movement. I hope that before we meet again in annual meeting the scheme will have been launched and many more families will, in consequence, have benefited by having the undoubted advantages of home-ownership brought within their reach.

In any event, the facilities offered by building societies for savings and investment and for the promotion of home-ownership are needed today, perhaps even more than in the days when the foundations of our Society were laid. Personal savings serve a national purpose of paramount importance, and in encouraging the habit of regular thrift we render a service not only to the individual but to the whole community.

With pride in the achievements of the past, we face the future with confidence, ready to contribute in still greater measure to the social progress and prosperity of the nation.

The report and statement of accounts were adopted.

G. R. HERRON & SON
(HOLDINGS) LIMITED

(Wool Merchants and Topmakers, Wool Combers, Wool Scourers, Fellmongers and Leather Dressers)

CHANGED TRADING CONDITIONS

BOARD'S CONSERVATIVE POLICY

MR F. J. HILL ON THE OUTLOOK

The fifty-first ordinary general meeting of G. R. Herron & Son (Holdings) Limited was held on March 24th at Winchester House, Old Broad Street, London, E.C.2, Mr F. J. Hill (the chairman) presiding.

The secretary (Mr C. C. B. Rice) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:

In my statement which accompanied the accounts for the previous financial year, I referred to there being good prospects for the company's trading year which ended on October 31, 1953. As it turned out, the first six months—namely, November, 1952, to April, 1953—recorded steadily rising prices for tops and in that time your company actually effected a greater volume of sales than in any similar period of the company's history. Not only was the volume of trade a record, but also business was done at very satisfactory margins of profit. During the last six months of the financial year, however, a complete reversal took place and the steady rise in values came to an end followed immediately by a fall in sales and acute nervousness in regard to prices.

The cessation of hostilities in Korea and general fear that a trade recession in America was imminent may be looked upon as the main causes combining to bring about so drastic a change. Later on bear selling appeared which depressed the price of tops still further, although the value of wool, sustained by Russian and Continental buying, remained at a high premium over what buyers were prepared to pay for it in the top.

In spite of the downward trend of business which began in May, all our mills maintained their maximum output for the whole of the year, thus registering an all-time record, but unless there is a revival in trade, the time is fast approaching when the bulk of our outstanding contracts will have been processed, with a consequent shortage of work in progress.

ACCOUNTS

In April, 1953, the authorised capital of the company was increased to £500,000, and 1,512,000 fully paid ordinary shares of 2s. each were issued free to shareholders in accordance with their holdings, the issued ordinary capital of the company thereby being increased to £302,400.

The directors' report deals, of course, with the parent company's affairs which are the concern of this meeting, but in order that shareholders may have a clear view of the trading results of the group as shown in the consolidated profit and loss account, I set out hereunder the main details. After charging all expenses, but before providing for taxation, the company's group trading has resulted in a profit of £261,843, or an increase of £71,049, compared with the previous year.

After providing for all taxation, including

future income tax liability, 1954-55, the net surplus of the group amounts to £142,262, to which must be added the amount brought forward in the group from last year £50,654, making a total of £192,916, which the directors recommend should be dealt with as follows: Transfer to general reserve, £101,200, and dividend on preference and ordinary shares, £24,084, leaving the sum of £67,632 to be carried forward in the group as shown in the consolidated balance sheet.

DIVIDEND

Having regard to the present unfavourable outlook generally, your directors have considered it necessary to pursue a cautious policy and have therefore had to revise their earlier ideas in respect of a final dividend. It is now proposed, therefore, that a final payment of 6 per cent be made which, with the interim distribution of 6 per cent paid on October 30th last, totals 12 per cent for the year, both interim and final dividends being calculated on the increased ordinary share capital.

If comparison is made with the previous year, it will be seen that although the rate of ordinary dividend now proposed is lower, the total amount to be distributed is actually higher by 20 per cent. This, of course, is owing to the dividend being calculated on the doubled ordinary issued capital.

MILLS AND MACHINERY

The whole of the mill equipment has been maintained in first class order and thought is continually given to finding ways and means for reducing costs of production.

Work is being carried out at Central Mills which will, when completed, provide increased warehouse accommodation and office space. These extensions are essential not only for our present needs, but to take care of any future expansion of our business. The work is of a capital nature and will cost some £37,000.

CURRENT FINANCIAL YEAR

Since the end of the financial year under review, the situation has further deteriorated; sales of tops are running at only about half of what they were a year ago, and owing to the intense competition for the small amount of business available, profit margins are substantially lower. Unless a material improvement takes place, which is not apparent at the moment, it is inevitable that our profits for the current year will suffer a considerable reduction.

Once again I have pleasure in paying tribute to the excellent work and service given to the company by the management, staff and all workers employed in the mills.

The report and accounts were adopted and the dividend recommendation approved.

The retiring director, Mr T. W. Sugden, was re-elected and the other formal business having been duly transacted, the proceedings terminated.

THE ZAMBESIA
EXPLORING COMPANY

The annual general meeting of The Zambesia Exploring Company, Limited, was held on March 19th in London. Capt Rt Hon Charles Waterhouse, PC, MC, DL, MP (chairman), presided.

The chairman's review, circulated with the report and accounts, stated that during the year 1953 operations continued on a steady and satisfactory basis, as evidenced by the fact that the company and its subsidiary, The Zambesia Investment Company, Limited, realised a total net profit of £71,401 in the current year.

The profit before taxation was £101,443 for the parent company and £79,244 for its wholly owned subsidiary, The Zambesia Investment Company, Limited, making a total of £180,687. After providing for current taxation, allowing for adjustment of taxation of previous years, transferring £25,000 from general reserve, and bringing into account the balance brought forward from 1952, a balance of £113,544 remained available for appropriation in the parent company. An interim dividend of 4 per cent, less tax, had been paid, and provision made for a final dividend of 11 per cent, less tax, making an unchanged total of 15 per cent for the year.

The profit of the subsidiary company, after taxation, which amounted to £40,864, had been added to the balance carried forward, which had been increased thereby to £103,575. The net undistributed profits of the subsidiary company could be regarded as the equivalent of a transfer to reserve by the parent company, and the total reserve of the parent and subsidiary companies together had increased from £526,843. The report was adopted.

BROOK
VITAL NE

The twentieth annual general meeting of Brook Rubber Plantations, Limited, was held on March 19th in London.

Sir Lionel Smith-Gordon, Bart (the chairman), presided, and in the course of his speech, said:

The trading profit was £51,702 compared with £111,964 last year, and £147,840 the year before. This reduction in the profit is due to the fall in the price of rubber, notwithstanding an increase in crop of some 388,000 lb, or, say, 15 per cent.

Last year I informed you that it was our intention to increase the rate of replanting to 200/300 acres per annum, but the serious fall in the price of rubber has forced us to modify our ideas. We are, however, convinced that replanting with modern high-yielding material is essential—and, I would go so far as to say, necessary for our survival—and we propose to proceed for the present at the moderate rate of 60/70 acres per annum.

As regards the current year we are still working at a small profit, which just about covers the expenditure on the replanted areas. What we require is a better price for our rubber, and this depends largely on developments in the synthetic rubber field. There are many who hope that the sale of the synthetic plants in the USA to private enterprise, will give natural rubber a fairer field in competition with synthetic, but we must realise that the latter has come to stay and the competition we have to face will always be very formidable.

The report was adopted

INDIAN IRON & STEEL COMPANY LIMITED

COMPLETION OF MERGER

MR T. LESLIE MARTIN ON LABOUR TROUBLES

The adjourned thirty-sixth ordinary general meeting of The Indian Iron & Steel Company, Limited, was held on March 10th in Calcutta.

Mr T. Leslie Martin, the chairman, in the course of his speech, said: The most outstanding events during the last financial year were the completion and coming into effect of the merger and the finalisation of our loan agreements with the World Bank and the Government of India.

The previously issued capital of Rs.1,50,00,000 in preference shares and Rs.2,55,25,960 in ordinary shares has now been increased to Rs.2,69,95,400 in preference shares and Rs.5,18,37,080 in ordinary shares by the issue of Rs.1,19,95,400 preference shares and Rs.2,63,11,120 ordinary shares to the shareholders of the Steel Corporation of Bengal in exchange for their holdings.

The profit and loss account is of necessity by reason of the merger a very composite affair comprising: firstly, 12 months' activities of the pre-merger Indian Iron and Steel Company to March 31, 1953; secondly, the profit margins to December 31, 1952, receivable from the Steel Corporation of Bengal under the 1937 Agreement which are, of course, offset by reason of the fact that they have been charged in the 1952 accounts of the Steel Corporation before arriving at profits for that year taken over; and, thirdly, the trading results in steel of the Indian Iron and Steel Company for the post-merger months of January, February and March, 1953.

Since the trading in steel for these three months is additional to the previous activities of the company, certain additional provisions in respect of the quarter have had to be made. The former normal depreciation charge of Rs.40 lakhs is accordingly increased to Rs.50 lakhs by the inclusion of Rs.10 lakhs, being one quarter of the Rs.40 lakhs previous annual allocation of the Steel Corporation of Bengal, and a sum of Rs.3,62,000 is set aside for the rehabilitation of the steel plant at the stipulated rate of Rs.14,48,000 per annum.

THE DIVIDEND

Finally, to the net profit as above determined is added the balance of the net profit of the Steel Corporation of Bengal for the year 1952 taken over, and after allowance for the dividend payable on the preference shares we arrive at the amount of profits available for distribution on the amalgamated ordinary share capital.

An ad-interim dividend of Re.1 per share has already been paid to you. Though this has been described as an ad-interim dividend, we made it clear at the time of declaration and have again referred to this point in the directors' report that no further recommendation in respect of dividend will be made for this year.

The realisations on the sale of steel for the months of January, February and March, 1953, have been based on the prices fixed for 1952, since the question of the revised prices to apply as from January 1, 1953, is still under the consideration of Government. Pending the adjustment of the income from the sale of steel for those months, it has not been possible, having regard to the rights of the shareholders to a reasonable return upon their investment, to place to reserves

any amounts other than the stipulated provisions against the rehabilitation of the plant.

FINANCIAL POLICY

The directors are of the opinion that it is imperative, in view of the tremendous liabilities the company has to shoulder in order to carry out the expansion scheme, to set aside as much as possible out of earnings to pay off its commitments as quickly as possible and also to provide for the large sum of finance, approximately Rs.7½ crores, which it has agreed to contribute from the company's own resources to supplement the loans granted by the World Bank and the Government of India. As a commencement, and with this object in view, we propose to carry to reserve the net difference, after providing for taxation, between the former and the increased retention prices of steel for the three months January to March, 1953. Until we are informed of the decision of the Government of India in the matter we are, of course, unable to compute what this is likely to be.

In the terms and conditions on which the loans by the World Bank and the Government of India have been granted and in their respective amounts, there has been no material departure from what was conveyed to you in my last two speeches and as set forth in the circular letters addressed to you during the course of negotiations. As regards our ability and desire to maintain dividends at a reasonable level, provide the company's contribution towards the cost of the expansion and to repay the loans in the stipulated instalments, this will depend wholly upon the revised retention prices recommended by the Tariff Commission and sanctioned by the Central Government. So far as we know, no final decision in the matter has as yet been taken.

The continued liquidation of our financial commitments will, also, be governed by the retention prices which are fixed after the scheme of expansion has been completed and brought into economic operation. We hope that the principles by which retention prices were fixed prior to the merger, with such modifications as may be necessary and as may be appropriate and justified by later circumstances, will continue to be applied until both these loans and our other loans have been fully repaid out of earnings. It was on this understanding that the company agreed to expand its undertaking and was willing to accept the consequent heavy financial liabilities. The company feels that it is entitled to assume that the Government will, during the continuance of the repayment period of the loans, adhere to the principles laid down in the Report of the Tariff Commission, 1952, and accepted by the Government, which imply that there shall be no departure, to the disadvantage of the company, from the principles that applied in the case of Tatas prior to the merger.

INTOLERABLE CONDITIONS

I shall now refer to the intolerable conditions under which we have had to work during the year 1953. You will all be familiar, from what was published in the Press, with the attitude labour adopted at the Burnpur works during the major portion of the year, a full eight months to be exact. At first, a



lock, and a... It became... were losing... battle and steps... the management gradu... mality in the works and office... Since then, and up to the present time, all has been fair sailing.

It is difficult to assess accurately the loss sustained by the nation as a result of this unfortunate dispute. The loss of revenue to the company amounted to Rs.1,60,00,000, the loss to workers on wages and bonus Rs.30,00,000, the loss to railways on inward and outward freight Rs. 70,00,000. India's future and prosperity demands an immediate review of the whole system of its handling of the labour question and the institution of laws and regulations which will provide a full day's work for a fair wage.

PRODUCTION OF PIG-IRON

The trading results for the year 1952-53 will, I hope, be considered satisfactory. The production of pig-iron has been somewhat less than that of 1952, owing to the fact that one blast furnace at Kulti was off for relining for a period of four and a half months. During the years 1954 and 1955, both the large Hirapur furnaces will be out of commission for several months for relining; one in 1954 and the other in 1955. This will inevitably have a material effect on the production of steel during these years.

The report was adopted.

NORTHERN ASSURANCE COMPANY LIMITED

ORION INSURANCE COMPANY LIMITED

The directors of the Orion Insurance Company announce that, having regard to the material expansion in the company's business in recent years, it has been decided to establish the office of a General Management of the Company.

Accordingly, and with effect from April 19, 1954, Mr T. R. Easton and Mr J. Greenshields, MC, TD, have been appointed the first joint general managers of the company.

Mr T. R. Easton, who joined the company on its formation in 1931, has held the office of manager since 1944: he is also a director of the Sphere Insurance Company. Mr J. Greenshields is at present an assistant general manager of the Northern Assurance Company.

By special arrangement with the directors and management of the "Northern," and with their best wishes, Mr Greenshields is being allowed to relinquish his duties with that company in order to take up his new appointment.

The directors of the "Orion" wish to place on record their appreciation of the friendly and helpful consideration which the board and management of the "Northern" have shown towards the "Orion" in enabling them to appoint Mr Greenshields to his new office.